

# PORTFOLIO CONSTRUCTION & ASSET ALLOCATION

## SECOND QUARTER 2023

# OUR PHILOSOPHY



## OUR INVESTMENT MANAGEMENT RESPONSIBILITY

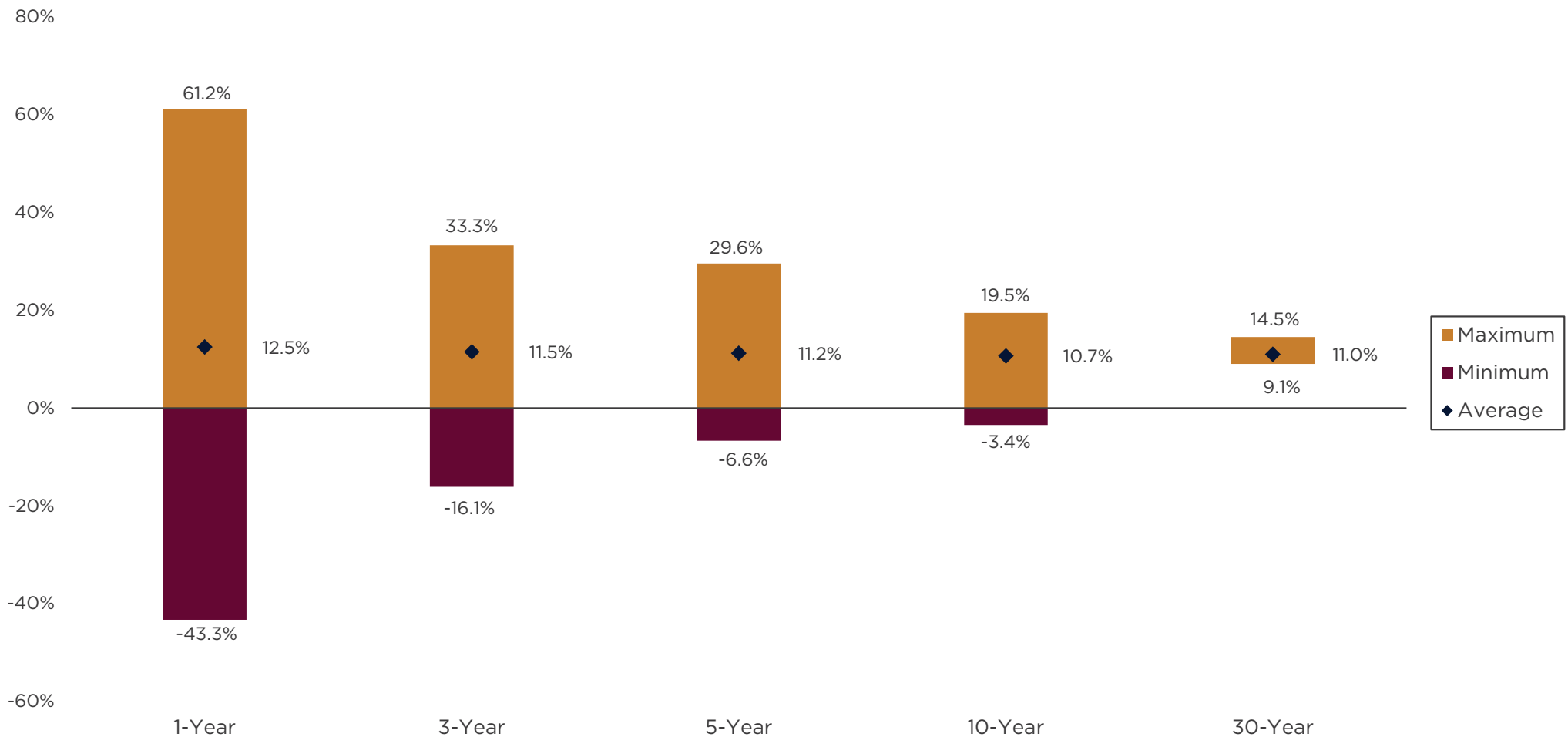
- » Be prudent stewards of our clients' capital
- » Preserve and build wealth over time
- » Maximize total returns at an acceptable level of risk
- » Never risk everything on any one market forecast

1. We focus on long-term performance
2. We will not outperform every year
3. The key to #1 is being prepared for #2

## THE STOCK MARKET IS RELIABLY POSITIVE OVER THE LONG-TERM

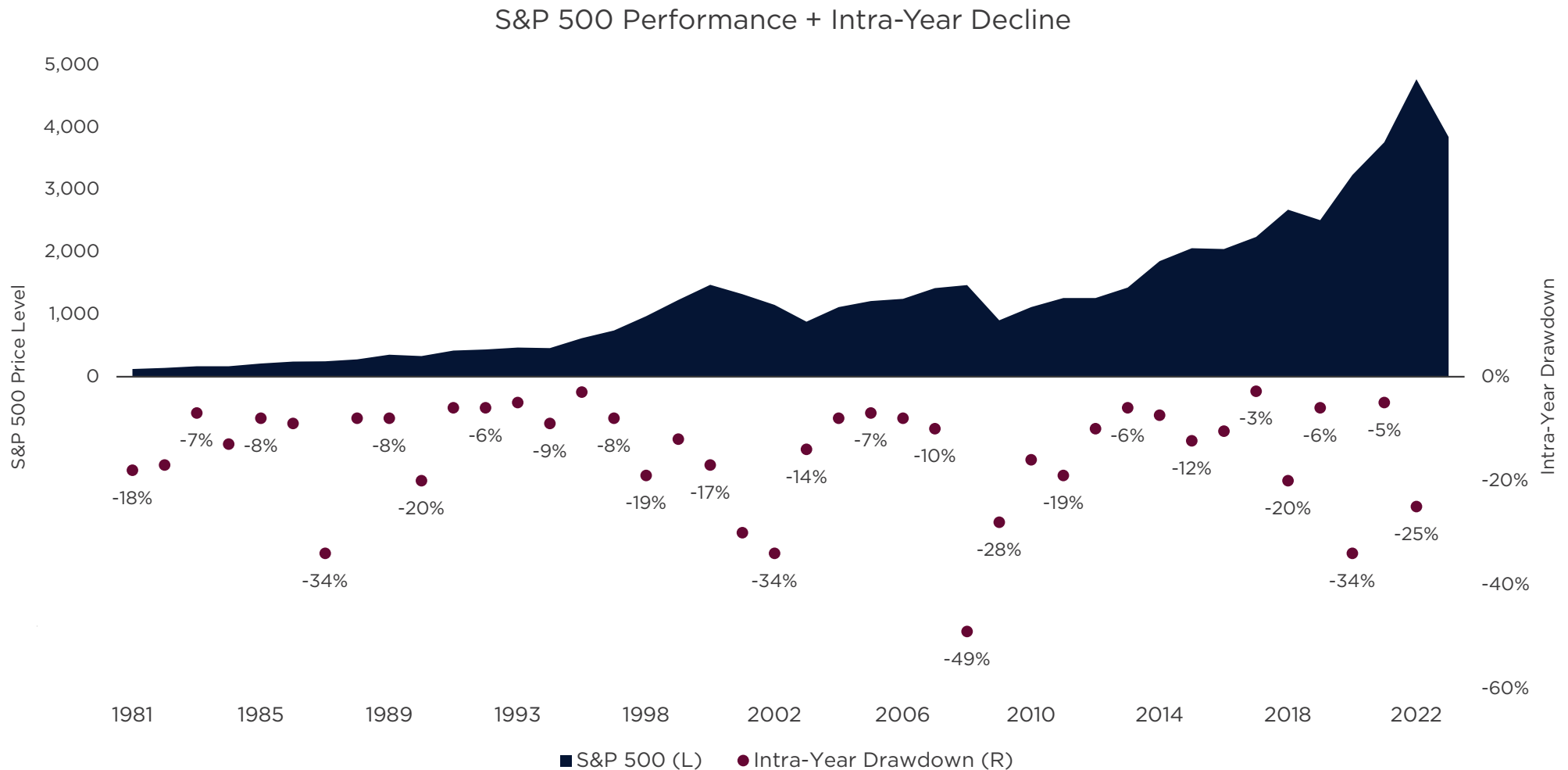
- » Market returns vary widely in the short-term but become more predictable over long periods.
- » Maintaining a long-term focus reduces the risk of negative returns. There has never been a negative 30-year period for the S&P 500.

Distribution of S&P 500 Total Returns Since 1950



## TO PARTICIPATE IN LONG-TERM RETURNS, INVESTORS MUST SUCCESSFULLY NAVIGATE MARKET DRAWDOWNS

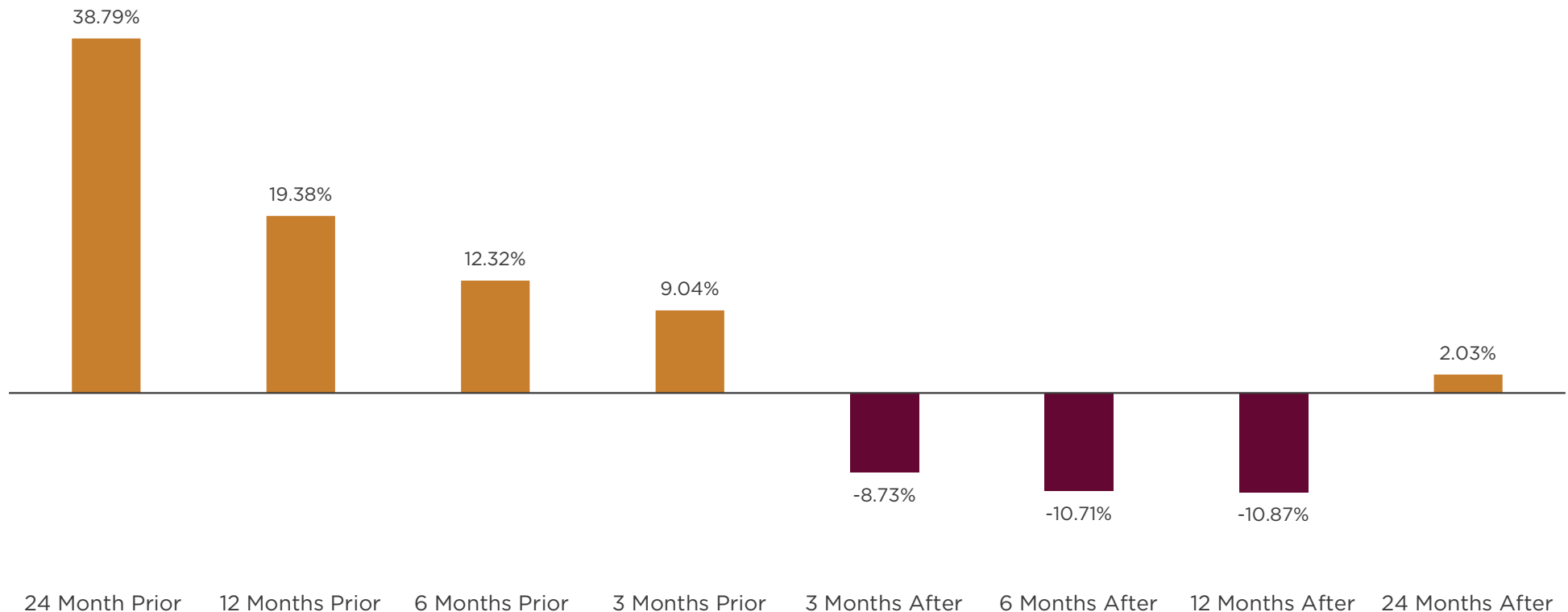
- » Despite an average positive return of 10.0% per year, the average intrayear decline of the S&P 500 is -14.4%.
- » On average, a 10% or greater decline in the S&P 500 occurs every 19 months.



## MARKET TIMING IS NOT A RELIABLE RISK MITIGATION TOOL

- » Attempting to time the market is difficult and dangerous.
- » Successfully timing the market requires both a well-timed exit and a well-timed re-entry.
- » Missing out on the late stages of a bull market can be more costly than participating in a bear market.

Median Return Leading Up To and Following Equity Market Peaks

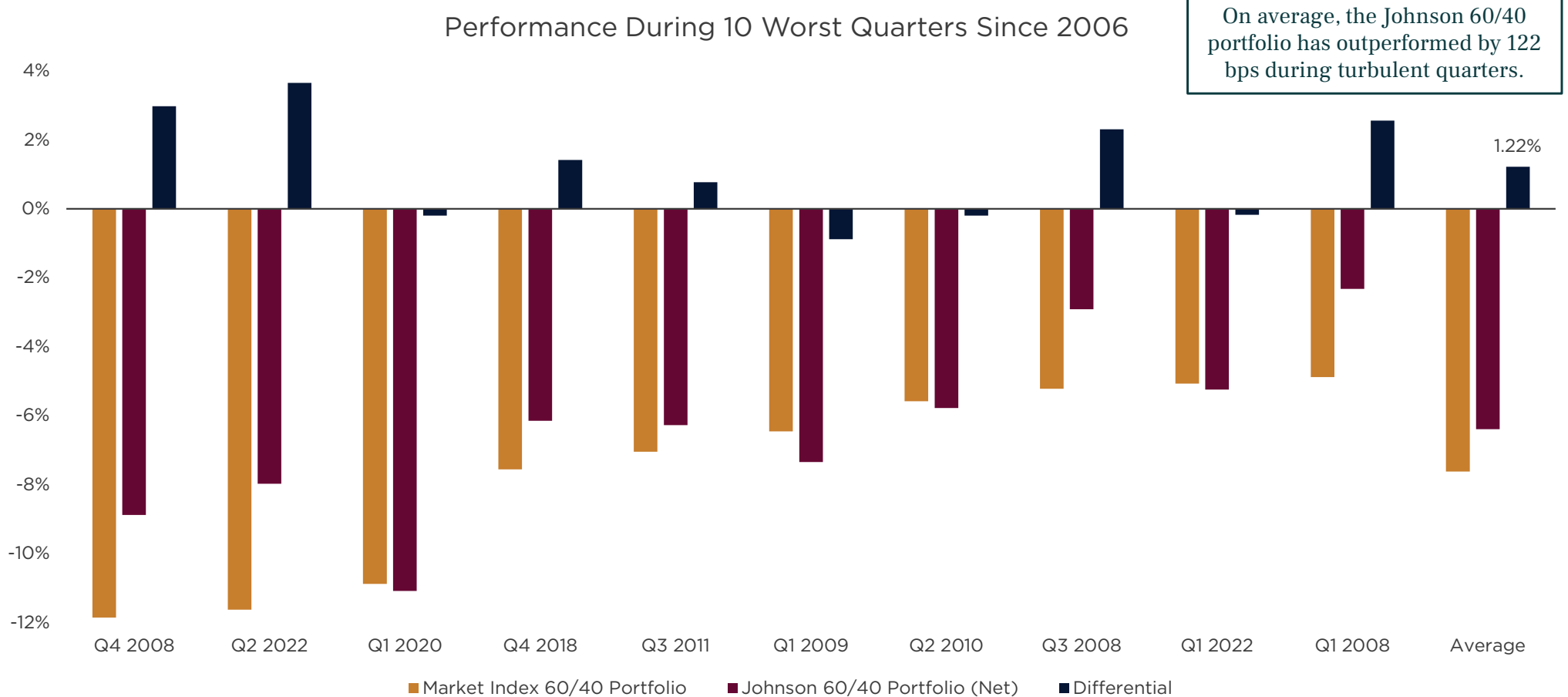


SOURCE: BLOOMBERG, DATA AS OF 12/31/2022

NOTE: CHART IS BASED ON RETURN DATA FROM 9 BEAR MARKETS FROM 1950-2022. A BEAR MARKET IS DEFINED AS A DECLINE OF 20% OR MORE IN THE S&P 500 BENCHMARK PRICE.

## THE BEST PATH TO RELIABLE DOWNSIDE PROTECTION IS THROUGH OWNING HIGH QUALITY SECURITIES

- » A better approach to managing risk in portfolios is owning highquality securities throughout the cycle.
- » The timing of market declines is unpredictable, but the relative performance of the best securities in a downturn is consistent.

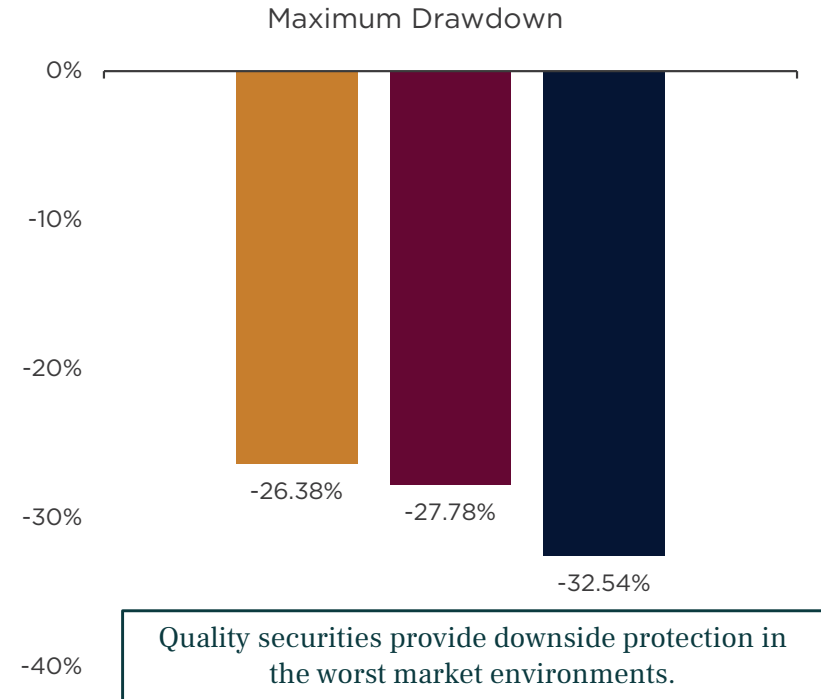


SOURCE: ZEPHYR DATA AS OF 6/30/2023

NOTE: JOHNSON 60/40 PORTFOLIO MADE UP OF JEQIX AND JIBFX, MARKET INDEX MADE UP OF S&P 500 AND BLOOMBERG US AGGREGATE; INFORMATION ABOUT INDICES IS PROVIDED TO ALLOW FOR COMPARISON OF THE PERFORMANCE OF JOHNSON PORTFOLIO TO THAT OF THE MARKET INDEX MADE UP OF S&P500 AND BLOOMBERG US AGGREGATE. THERE IS NO REPRESENTATION THAT SUCH INDICES ARE AN APPROPRIATE BENCHMARK FOR SUCH COMPARISON. YOU CANNOT INVEST DIRECTLY IN AN INDEX, WHICH ALSO DOES NOT TAKE INTO ACCOUNT TRADING COMMISSIONS AND COSTS. THE VOLATILITY OF INDICES MAY BE MATERIALLY DIFFERENT FROM THE PERFORMANCE OF THE JOHNSON PORTFOLIO. IN ADDITION, JOHNSON'S RECOMMENDATIONS MAY DIFFER SIGNIFICANTLY FROM THE SECURITIES THAT COMPRISE THE INDICES.

## QUALITY SECURITIES ALLOW FOR A GROWTH-ORIENTED ASSET ALLOCATION

- » Asset allocation is a key driver of long-term investor success.
- » By reducing risk through the ownership of high-quality securities, investors can maintain a higher allocation to the stock market over time.



	Return	Standard Deviation	Sharpe Ratio	Max Drawdown
Johnson 60/40 Portfolio (Net)	7.43%	9.17%	0.68	-26.38%
Johnson 63/37 Portfolio (Net)	7.60%	9.56%	0.67	-27.78%
Market Index 60/40 Portfolio	7.30%	9.71%	0.63	-32.54%

SOURCE: ZEPHYR DATA AS OF 6/30/2023

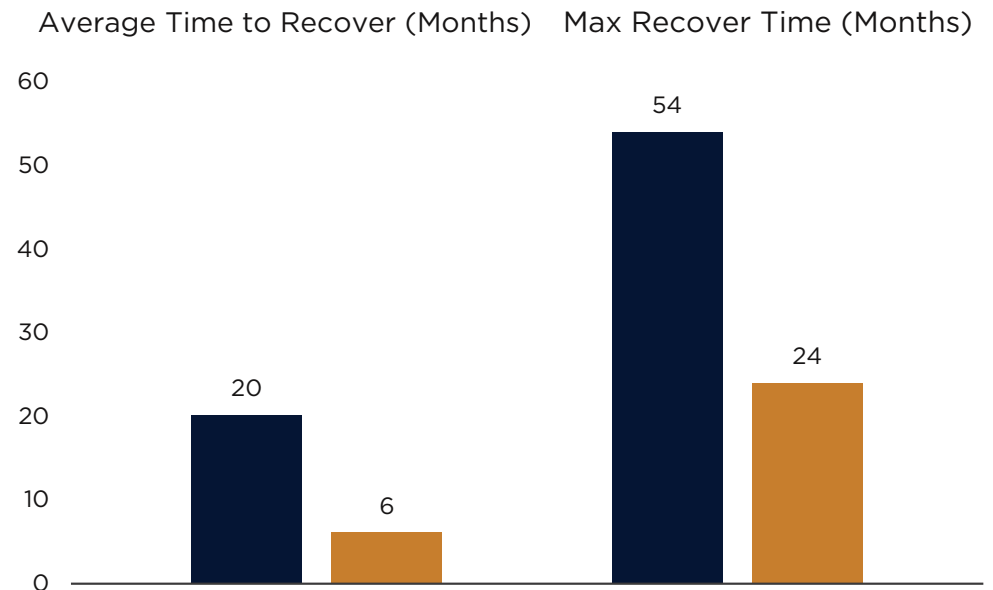
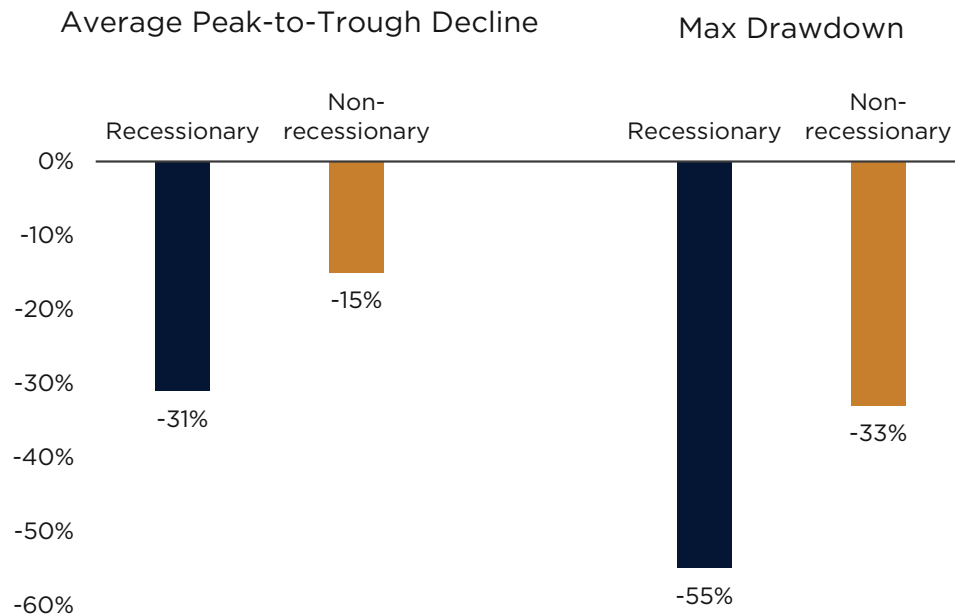
NOTE: JOHNSON PORTFOLIOS MADE UP OF JEQIX AND JIBFX, MARKET INDEX PORTFOLIO MADE UP OF S&P500 AND BLOOMBERG US AGGREGATE INDEX; RETURN SEQUENCE FROM 1/1/2006 (JEQIX INCEPTION) TO 6/30/2023; INFORMATION ABOUT INDICES IS PROVIDED TO ALLOW FOR COMPARISON OF THE PERFORMANCE OF JOHNSON PORTFOLIO TO THAT OF THE MARKET INDEX MADE UP OF S&P500 AND BLOOMBERG US AGGREGATE. THERE IS NO REPRESENTATION THAT SUCH INDICES ARE AN APPROPRIATE BENCHMARK FOR SUCH COMPARISON. YOU CANNOT INVEST DIRECTLY IN AN INDEX, WHICH ALSO DOES NOT TAKE INTO ACCOUNT TRADING COMMISSIONS AND COSTS. THE VOLATILITY OF INDICES MAY BE MATERIALLY DIFFERENT FROM THE PERFORMANCE OF THE JOHNSON PORTFOLIO. IN ADDITION, JOHNSON'S RECOMMENDATIONS MAY DIFFER SIGNIFICANTLY FROM THE SECURITIES THAT COMPRISE THE INDICES.



## RECESSIONARY MARKET DECLINES WARRANT ADDITIONAL RISK CONTROL

- » In most environments, quality securities give sufficient protection to weather difficult markets.
- » Not all volatility is the same; recessions lead to bear markets.
- » Recessionary periods have historically been much more detrimental to portfolios and warrant adjustments at the asset allocation level.

Historically, recessionary drawdowns have been much more severe than non-recessionary market pullbacks.

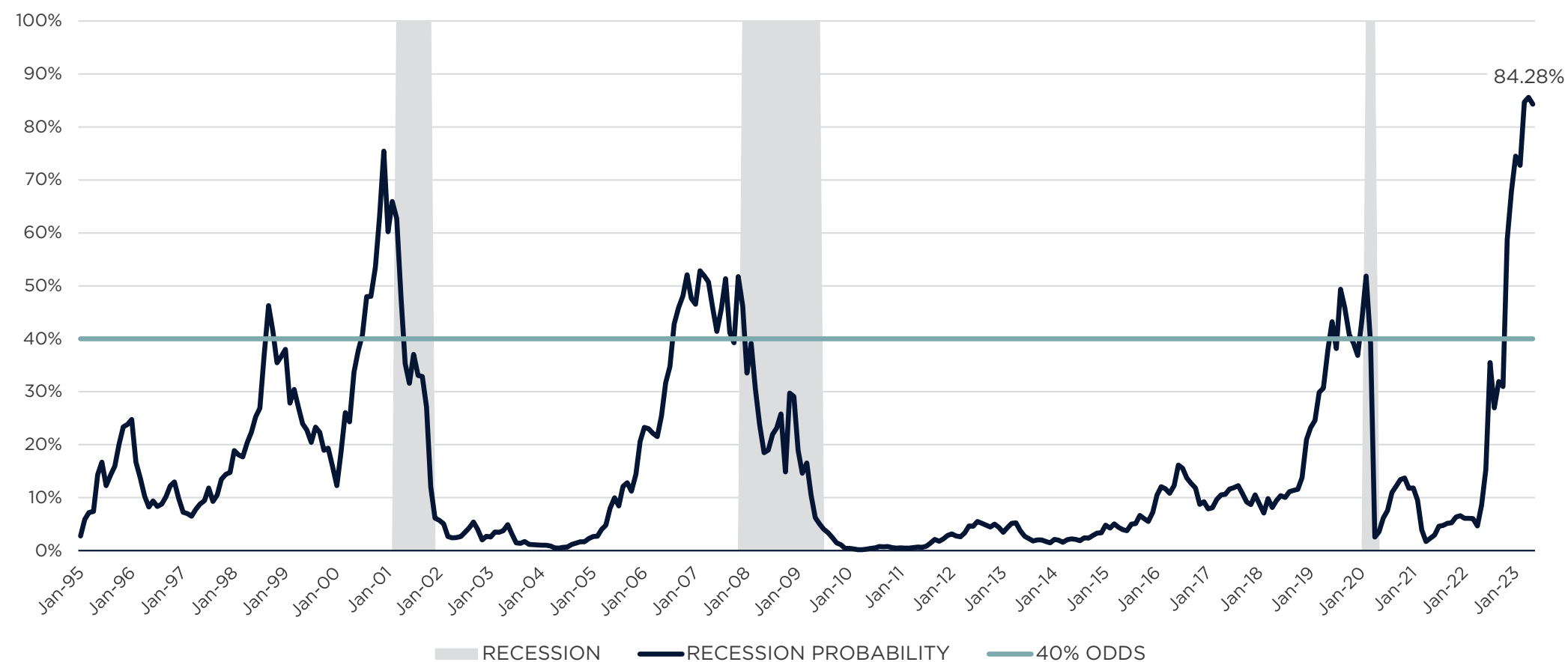


At the same time, the market has typically recovered more quickly coming out of non-recessionary pullbacks.

## RECESSIONS ARE UNPREDICTABLE, BUT THERE ARE NORMALLY WARNING SIGNS

- » We monitor economic data to determine when recessions are more likely; our proprietary multifactor model has been a strong indicator of recession risk.
- » When market volatility increases in tandem with recession risk, we are likely to move more conservative in asset allocation.

Johnson Asset Management Recession Probability Model



SOURCE: BLOOMBERG, JOHNSON ASSET MANAGEMENT, DATA AS OF 5/31/2023.

# OUR PROCESS



## JOHNSON INVESTMENT RESEARCH TEAMS

### Portfolio Strategy Team

- Charles Rinehart, CFA, CAIA, Chief Investment Officer
- Michael Leisring, CFA, Chief Investment Officer – Fixed Income
- Jason Jackman, CFA, Chief Executive Officer – Johnson Investment Counsel
- Bret Parrish, CFA, President – JIC Private Client Group
- Fred Brink, CFA, CFP®, President – Johnson Asset Management
- Brian Kute, CFA, Director of Research
- Michael Jordan, CFA, CFP®, Managing Director
- Chad Maggard, CFA, Managing Director

### Individual Stock Selection

**Brian Kute, CFA**  
**Charles Rinehart, CFA, CAIA**  
 Bryan Address, CFA  
 Chris Godby, CFA  
 Bill Jung, CFA  
 Joe Abbott, CFA  
 Eric Bachus, CFA  
 Zach Berohn  
 Chris Gray  
 Ryan Hogan

### Research Strategy Teams

#### Equities & Alternatives

**Charles Rinehart, CFA, CAIA**  
 Kristen Curtiss, CFA - Economics  
 Max Monk, CFA - Infrastructure  
 Emilia Connor-Brady, CFA - Private Assets  
 Michael Timm, CFA, CFP® - Private Assets  
 Bill Jung, CFA - Large Cap  
 Joe Abbott, CFA - International, REITs  
 David Christian, CFA, CFP® - Portfolio Construction

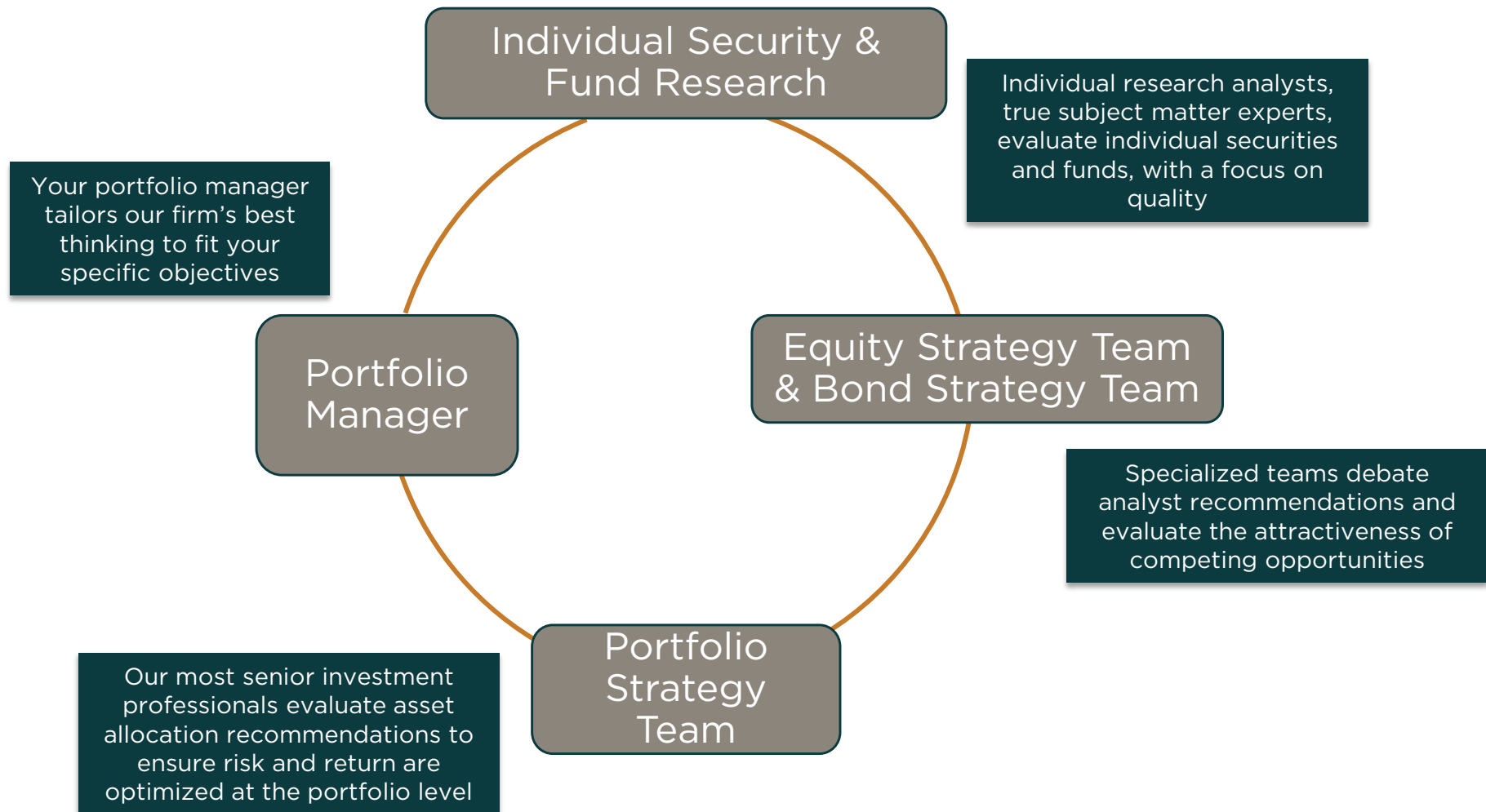
Eric Bachus, CFA - Portfolio Construction  
 Brandon Plumb, CFA, CFP® - Communications  
 Landon Peterson - Communications  
 Chris Gray - Generalist

#### Fixed Income

**Michael Leisring, CFA**  
 Jason Jackman, CFA  
 Ryan Martin, CFA  
 David Theobald, CFA  
 Brandon Zureick, CFA  
 Emilia Connor-Brady, CFA  
 Kristen Curtiss, CFA  
 Alex Wirt, CFA, CFP®

## OUR PORTFOLIO CONSTRUCTION PROCESS

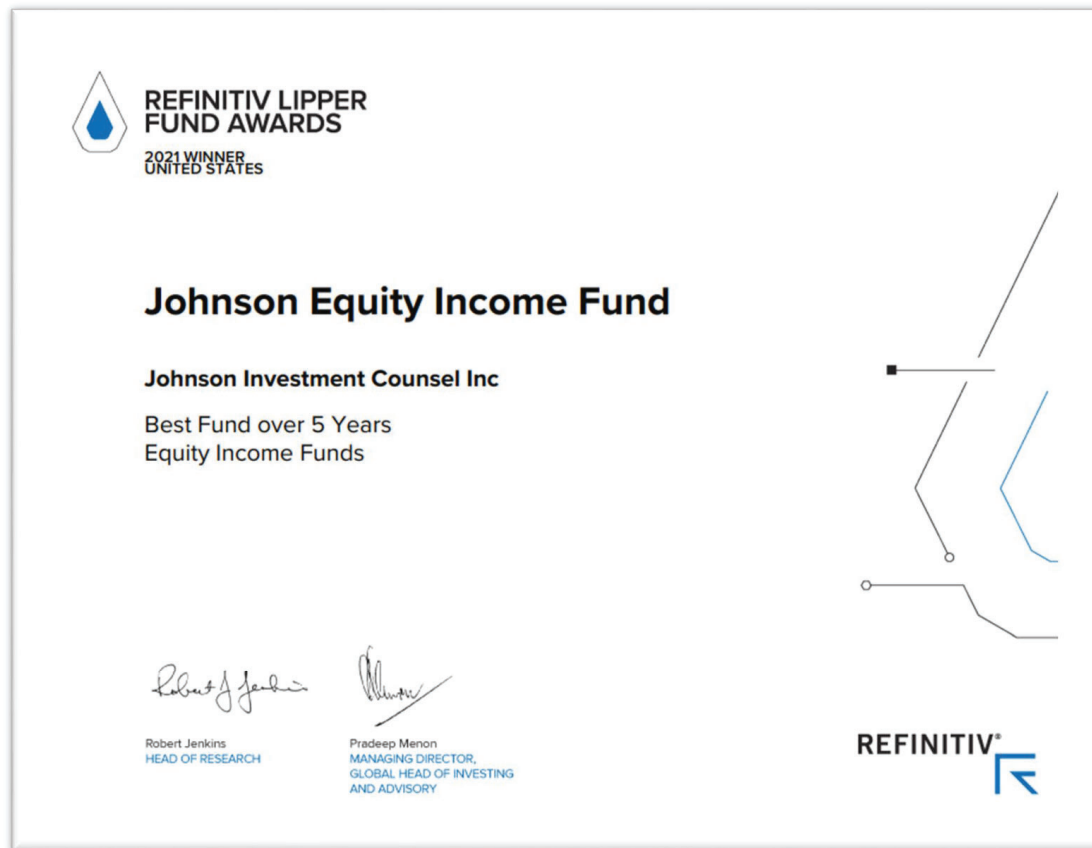
- » Before any investment is made, it moves through a multi-step process guided by our investment discipline.
- » Our team-based approach enables our Portfolio Managers to tailor our institutional investment research to accomplish your personalized goals.



## JOHNSON ASSET MANAGEMENT AWARD WINNING FUNDS

- » Johnson has had multiple funds win Lipper awards for strong performance in their respective peer groups.
- The Johnson Equity Income Fund is a 2021 winner of the Refinitiv Lipper Fund Award for “Best Fund over 5 Years” for Equity Income Funds.
- The Johnson Institutional Intermediate Bond Fund is a 2021 winner of the Refinitiv Lipper Fund Award for “Best fund over 3 years” AND “Best fund over 5 years” for Institutional Mutual Funds.

These honors are given to individual mutual funds that have outperformed peers based on risk-adjusted, consistent returns over three-, five-, and ten-years relative to their peers. Refinitiv Lipper designates award-winning funds in most individual classifications for the three-, five-, and ten-year periods.

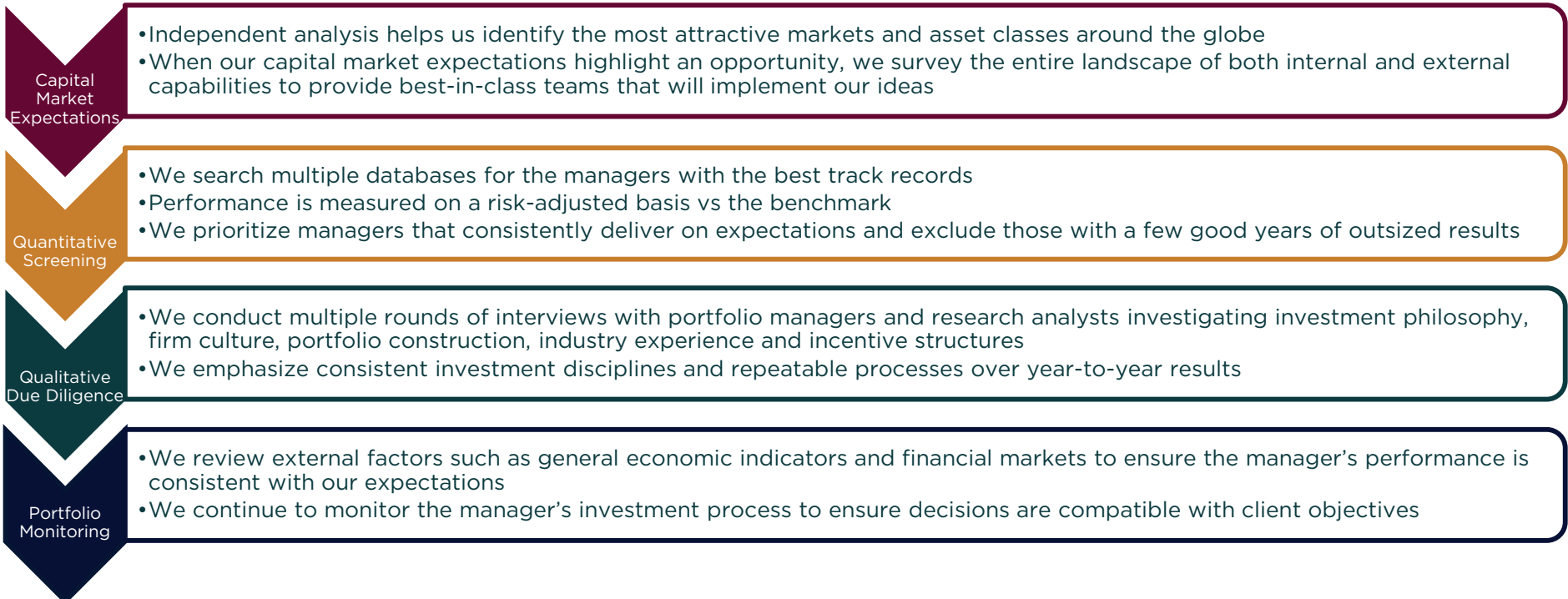


NOTE: THE REFINITIV LIPPER FUND AWARDS, GRANTED ANNUALLY, HIGHLIGHT FUNDS AND FUND COMPANIES THAT HAVE EXCELLED IN DELIVERING CONSISTENTLY STRONG RISK-ADJUSTED PERFORMANCE RELATIVE TO THEIR PEERS. THE REFINITIV LIPPER FUND AWARDS ARE BASED ON THE LIPPER LEADER FOR CONSISTENT RETURN RATING, WHICH IS A RISK-ADJUSTED PERFORMANCE MEASURE CALCULATED OVER 36, 60 AND 120 MONTHS. THE FUND WITH THE HIGHEST LIPPER LEADER FOR CONSISTENT RETURN (EFFECTIVE RETURN) VALUE IN EACH ELIGIBLE CLASSIFICATION WINS THE REFINITIV LIPPER FUND AWARD. FOR MORE INFORMATION, SEE [LIPPERFUNDWARDS.COM](http://LIPPERFUNDWARDS.COM). ALTHOUGH REFINITIV LIPPER MAKES REASONABLE EFFORTS TO ENSURE THE ACCURACY AND RELIABILITY OF THE DATA CONTAINED HEREIN, THE ACCURACY IS NOT GUARANTEED BY REFINITIV LIPPER. THE AWARD MAY NOT BE REPRESENTATIVE OF EVERY CLIENT'S EXPERIENCE. THE AWARD IS NOT INDICATIVE OF FUTURE PERFORMANCE AND THERE IS NO GUARANTEE OF FUTURE INVESTMENT SUCCESS.



## THOROUGH OUTSIDE MANAGER DUE DILIGENCE

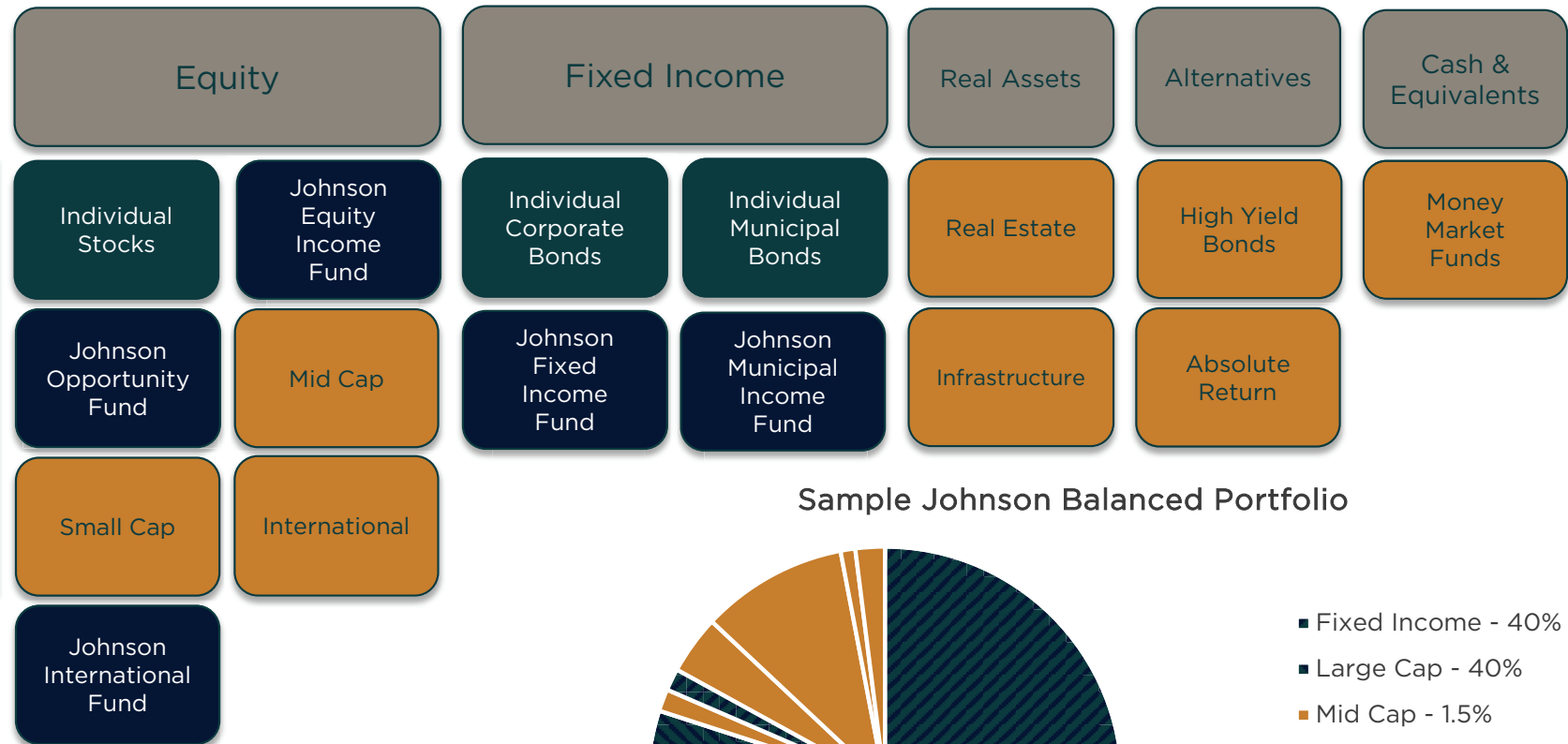
- » We are committed to providing best-in-class investment solutions to our clients, whether internally or externally managed.
- » We apply the same quality-oriented investment discipline to our evaluation of external partners.
- » Our portfolio strategy team follows an analytical screening process which identifies the world's best investment managers through a mixture of quantitative screening and qualitative analysis.
- » We maintain total independence throughout due diligence and monitoring process.



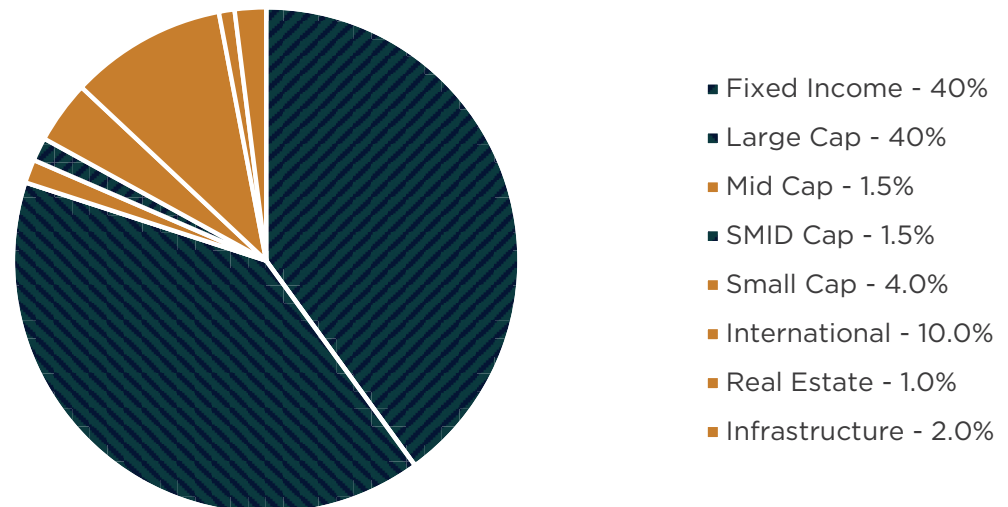
Our scale enables us to provide favorable terms for our clients when making fund selection decisions

## SAMPLE PORTFOLIO: IN-HOUSE VS. EXTERNALLY MANAGED

- » We leverage a combination of our in-house asset management expertise as well as best in class external managers, leveraging our firm scale for cost savings and portfolio efficiency.
- » Our internal capabilities ensure a single fee layer for the majority of the portfolio.



Sample Johnson Balanced Portfolio



Across Large Cap, Fixed Income and Mid Cap, over 80% of the sample portfolio is managed by our in-house investment management teams



# MARKET OUTLOOK

## JULY 2023

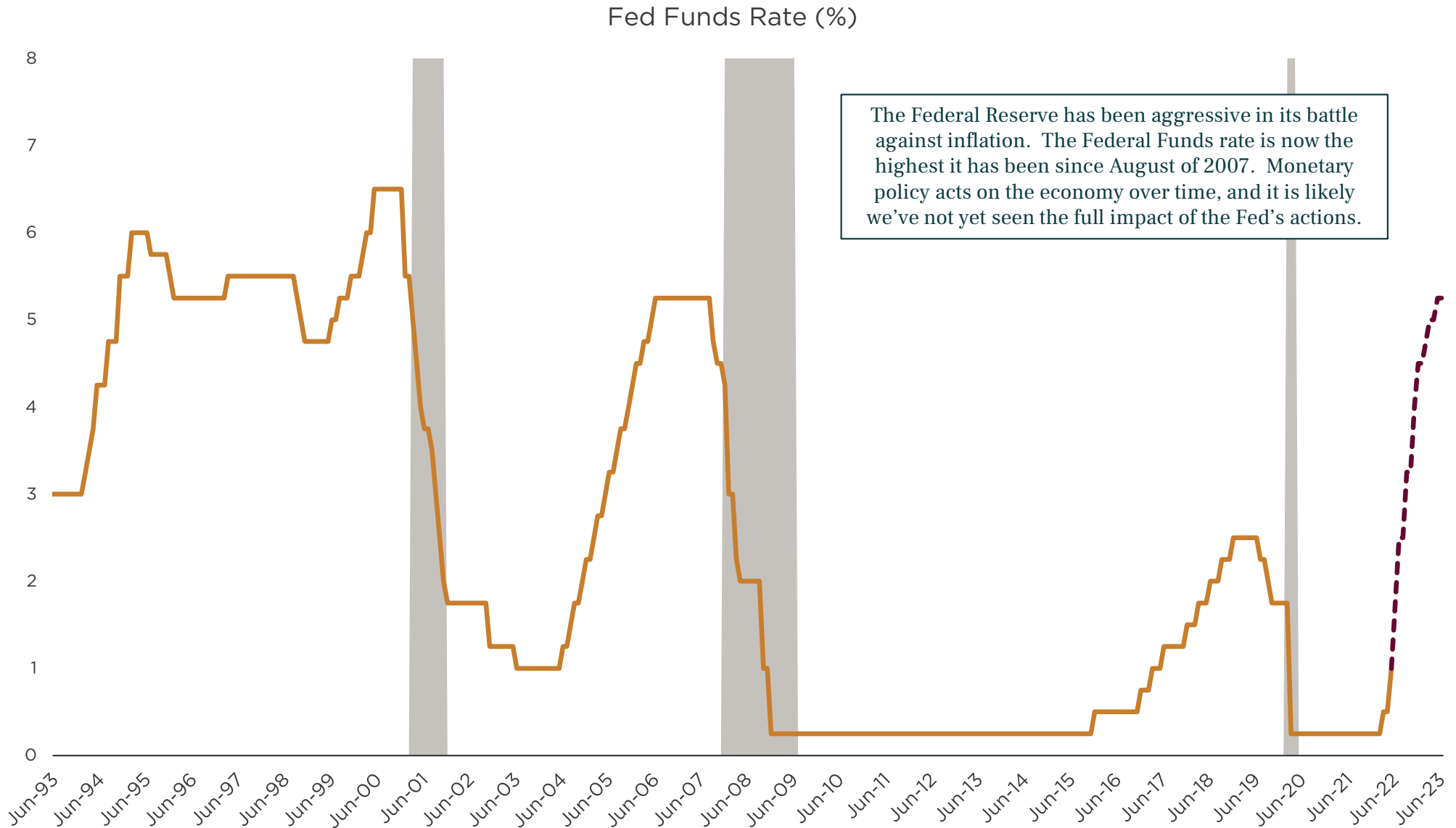




## MARKET AND ECONOMIC OVERVIEW

- » The story of 2023 through the first half of the year has no doubt been the strong performance of large cap equities, with the S&P 500 up over 16% year-to-date through June 30th. However, if you looked only at the S&P 500 index return as a barometer of the economy, you would miss important detail swirling underneath the surface. With a majority of the market gains concentrated in a handful of technology stocks, the market continues to wrestle with economic data that is generally slowing but has remained more resilient than many anticipated.
- » The Federal Reserve continued to walk a tight rope in Q2 as they dealt with the fallout of stresses in the banking sector, while also acknowledging that more work needed to be done in their fight against inflation. The Fed raised rates once again in May before pausing in June but signaled that more tightening may be necessary. All in all, with a Fed Funds rate north of 5%, the economy has experienced a significant amount of monetary policy tightening, which continues to work its way through the system.
- » We continue to see signs that this tightening is beginning to take effect in the economy, with Leading Economic Indicators down a significant -7.9% year-over-year. In addition to the effects of higher interest rates across the economy, banks have been tightening lending standards, reducing loan making and credit availability. While the labor market has continued to be a strong point, initial claims have been inching higher and we will be watching this data closely in coming months.
- » The surprisingly strong stock market performance this year has been led primarily by mega-cap stocks such as Apple, Google, Amazon and Microsoft. In fact, just 7 names in the S&P 500 accounted for nearly 70% of the index return in the first half. Investor enthusiasm for the future potential of Artificial Intelligence has been a contributing factor in the tech sector outperformance this year. Earnings growth estimates continue to moderate, and the lion's share of positive market performance has been driven by multiple expansion.
- » Despite intra-year volatility, bond yields closed the second quarter nearly unchanged for the year. Fear of widespread bank failures initially pushed yields lower but was short lived. As investors grew more confident banking system woes would remain contained, the Fed's fight on inflation once again took center stage and pushed yields back towards cycle highs. The yield curve remains significantly inverted across all parts of the curve. Like rates, credit spreads are largely unchanged from the start of the year. While not overly tight relative to historical standards, credit spreads appear somewhat tighter than warranted by current economic data.
- » We remain focused on monitoring all incoming economic data to assess the trajectory of the economy. With numerous telltale signs of slowdown ahead, we remain in a conservative stance within portfolios. Significant market weakness leading to valuation opportunities, or strong reversals in a range of economic indicators, would prompt us to reconsider this stance. Though we will never try to time the market, we view a cautious stance as warranted. We remain committed to our long-term quality-oriented investment discipline as a reliable way to reduce risk and outperform over a full market cycle.

## RESTRICTIVE MONETARY POLICY STILL BEING DIGESTED

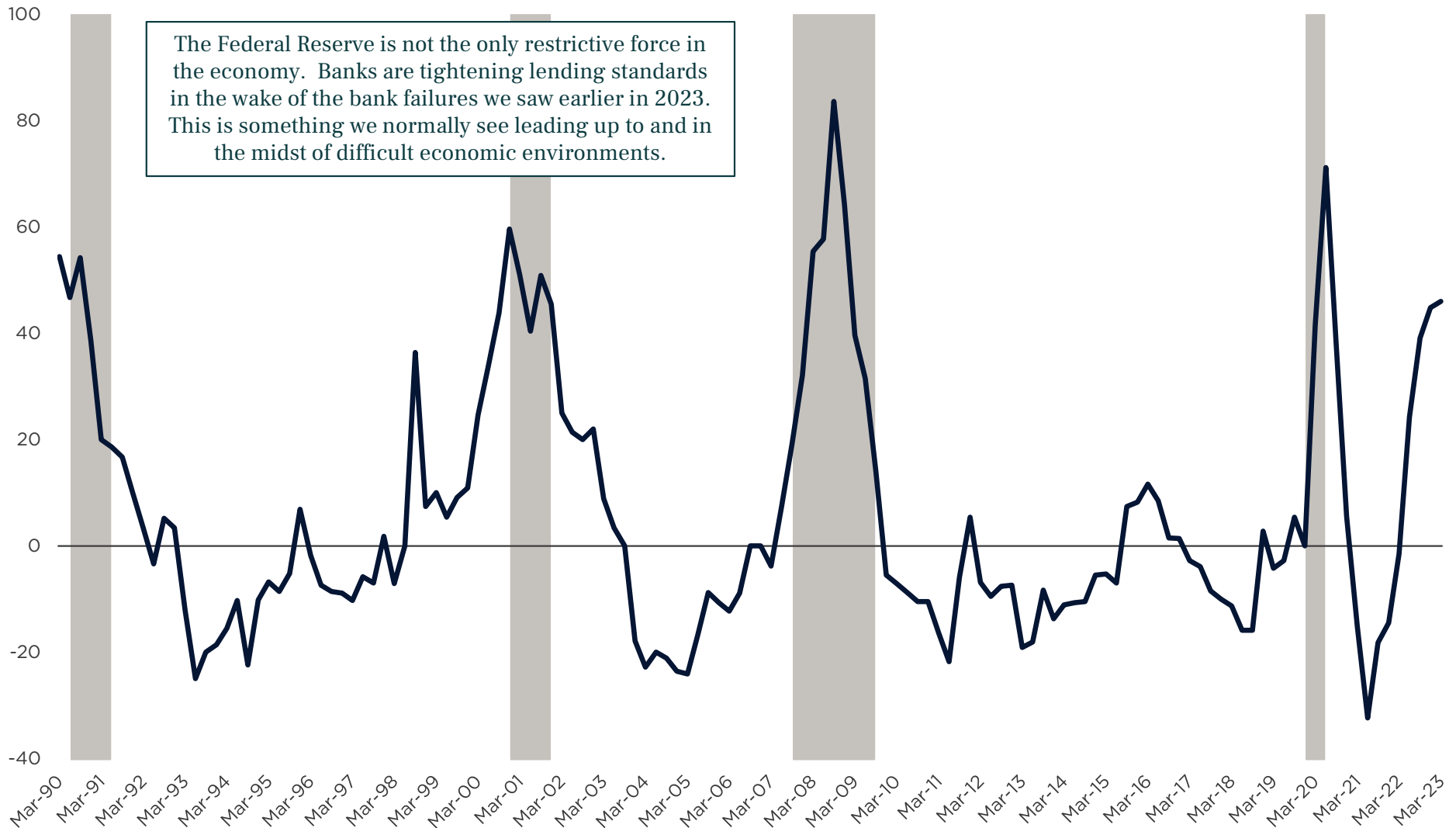


NOTE: DOTTED LINE INDICATES FED FUNDS RATE INCREASES <12 MO. PRIOR  
 SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 6/30/2023



## EFFECTS OF TIGHTENING AMPLIFIED BY BANKING STRESS

Bank Lending Standards\*

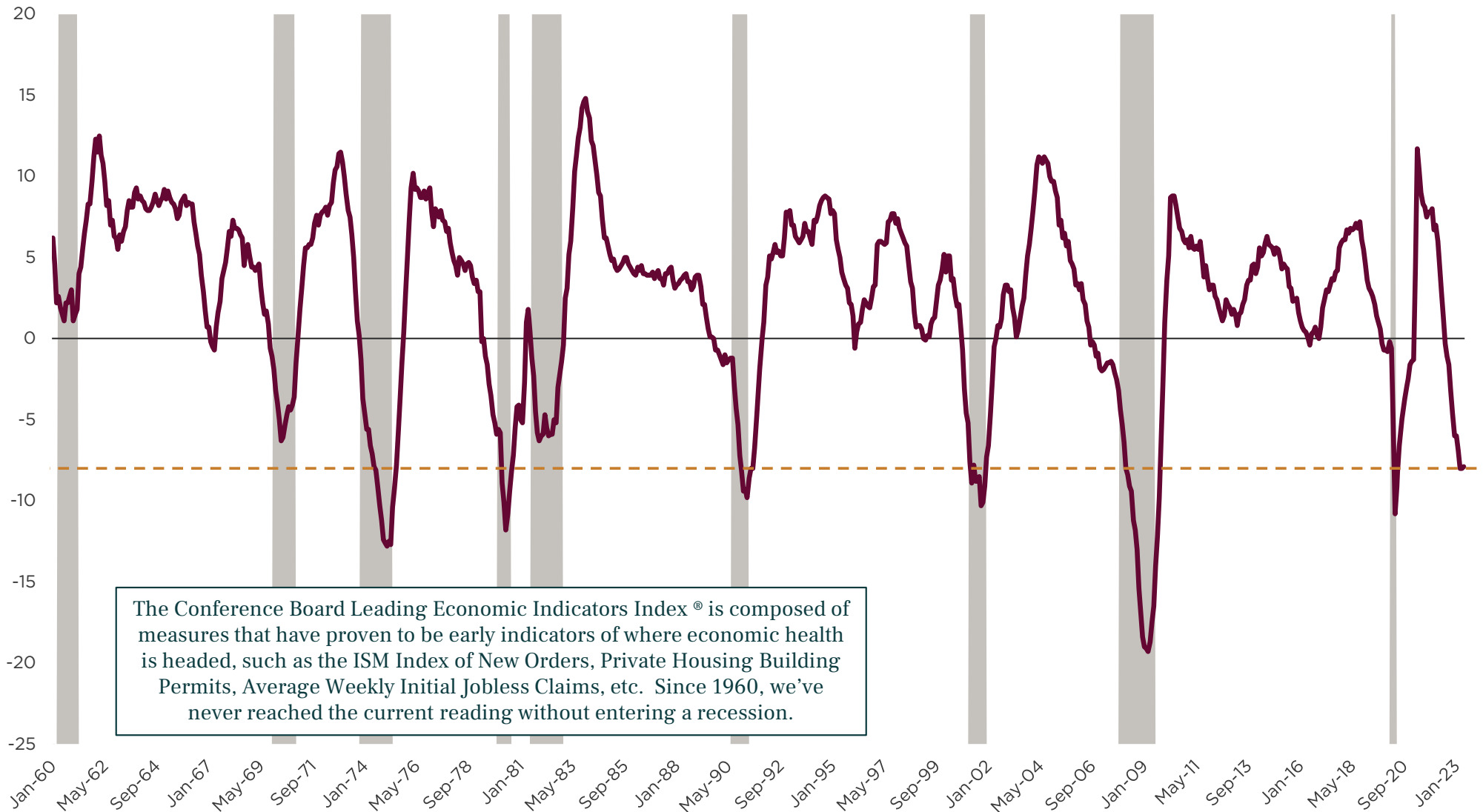


\*NOTE: LENDING STANDARDS DEFINED AS NET PERCENTAGE OF DOMESTIC BANKS TIGHTENING STANDARDS FOR COMMERCIAL AND INDUSTRIAL LOANS TO LARGE AND MIDDLE-MARKET FIRMS, PERCENT, QUARTERLY, NOT SEASONALLY ADJUSTED

SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, FRED DATABASE, DATA AS OF 6/30/2023

## WE ARE BEGINNING TO SEE IMPACTS IN THE REAL ECONOMY

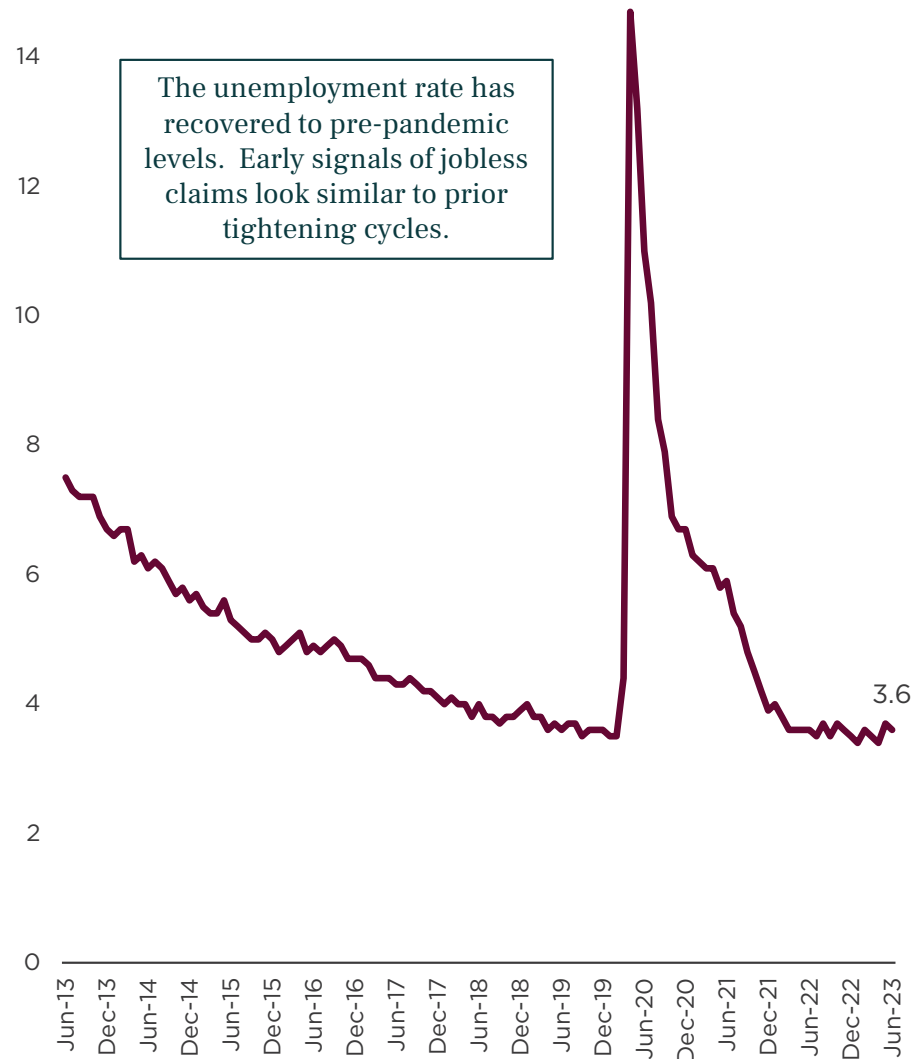
The Conference Board Leading Economic Indicators Index (YoY %)



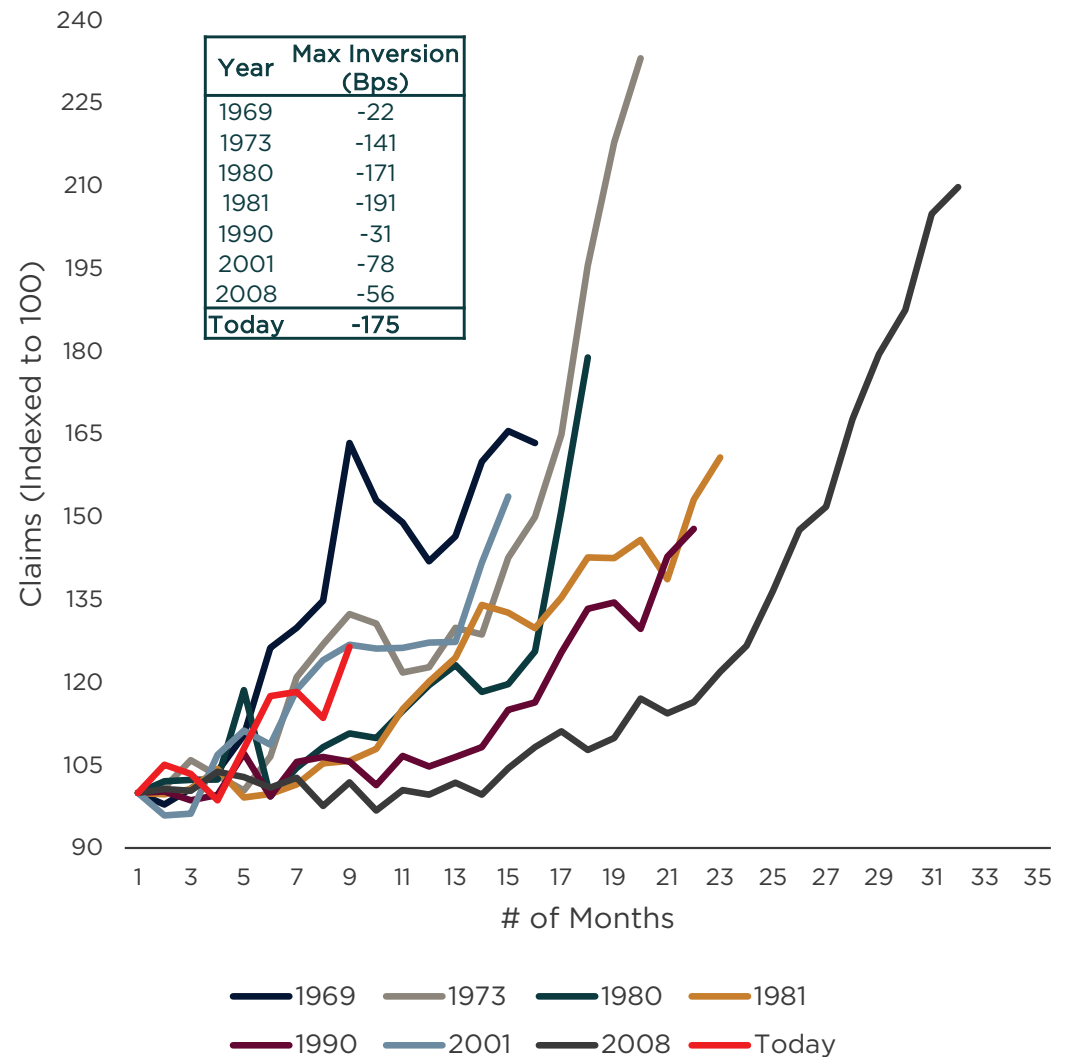
SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 6/30/2023

## FORTUNATELY, UNEMPLOYMENT HAS NOT BECOME AN ISSUE

Unemployment Rate (%)

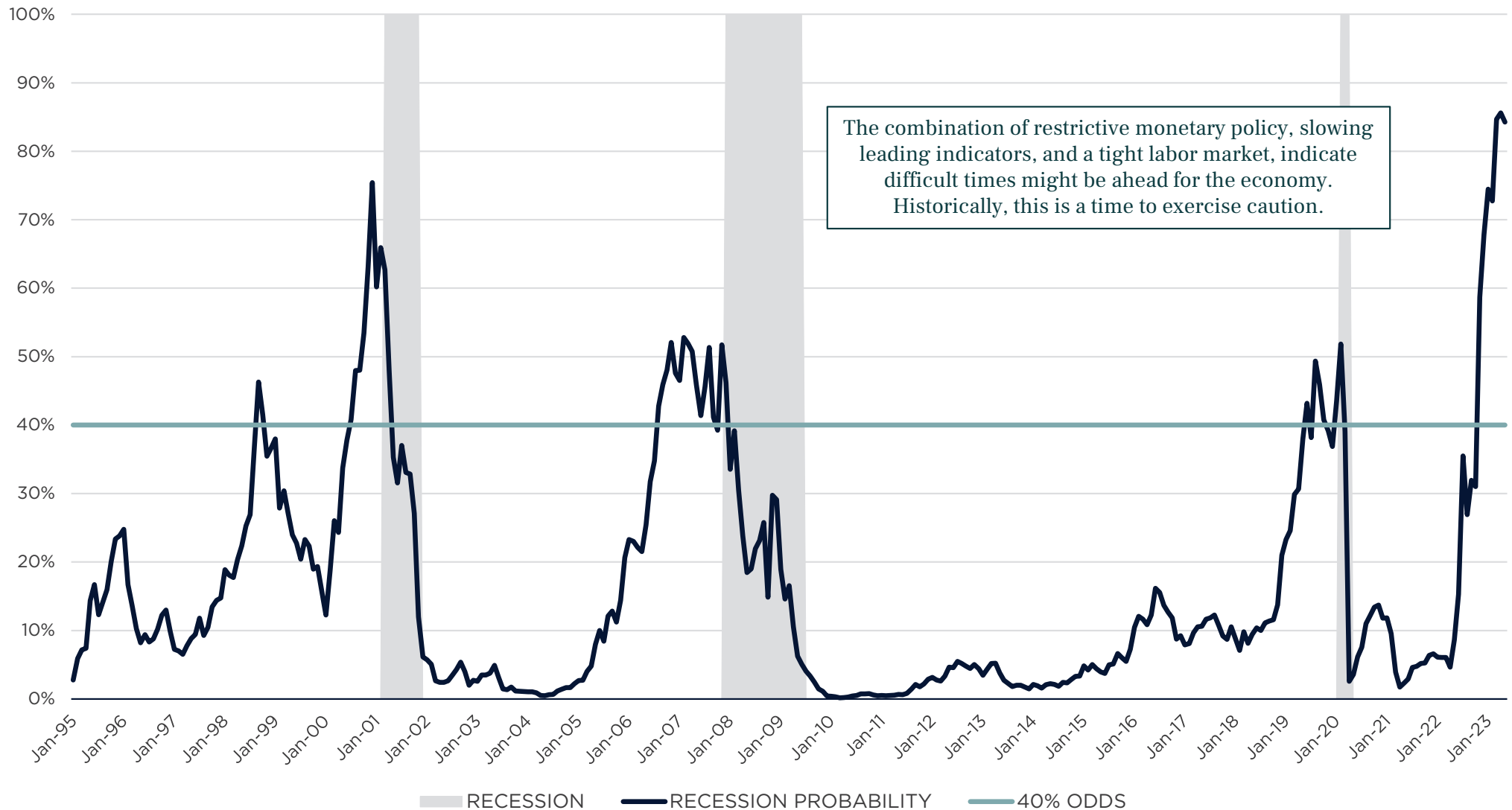


Change in Initial Jobless Claims 4-Week Moving Average By Month, Following 3 Mo./10 Yr. Yield Curve Inversion



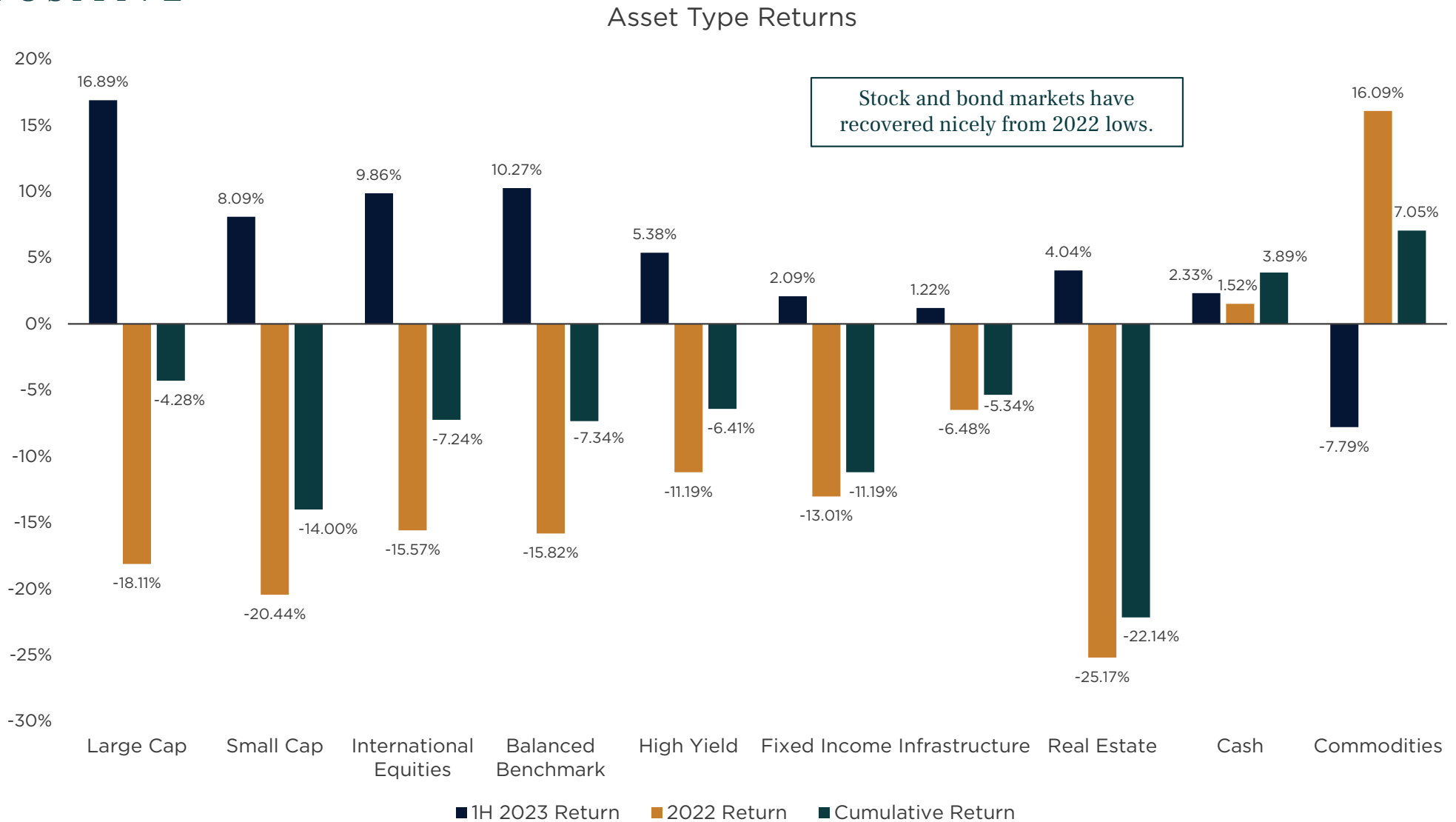
## RECESSION PROBABILITY REMAINS ELEVATED

Johnson Asset Management Recession Probability Model



SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 5/31/2023

# DESPITE SLOWING ECONOMIC DATA, MARKETS ARE BROADLY POSITIVE



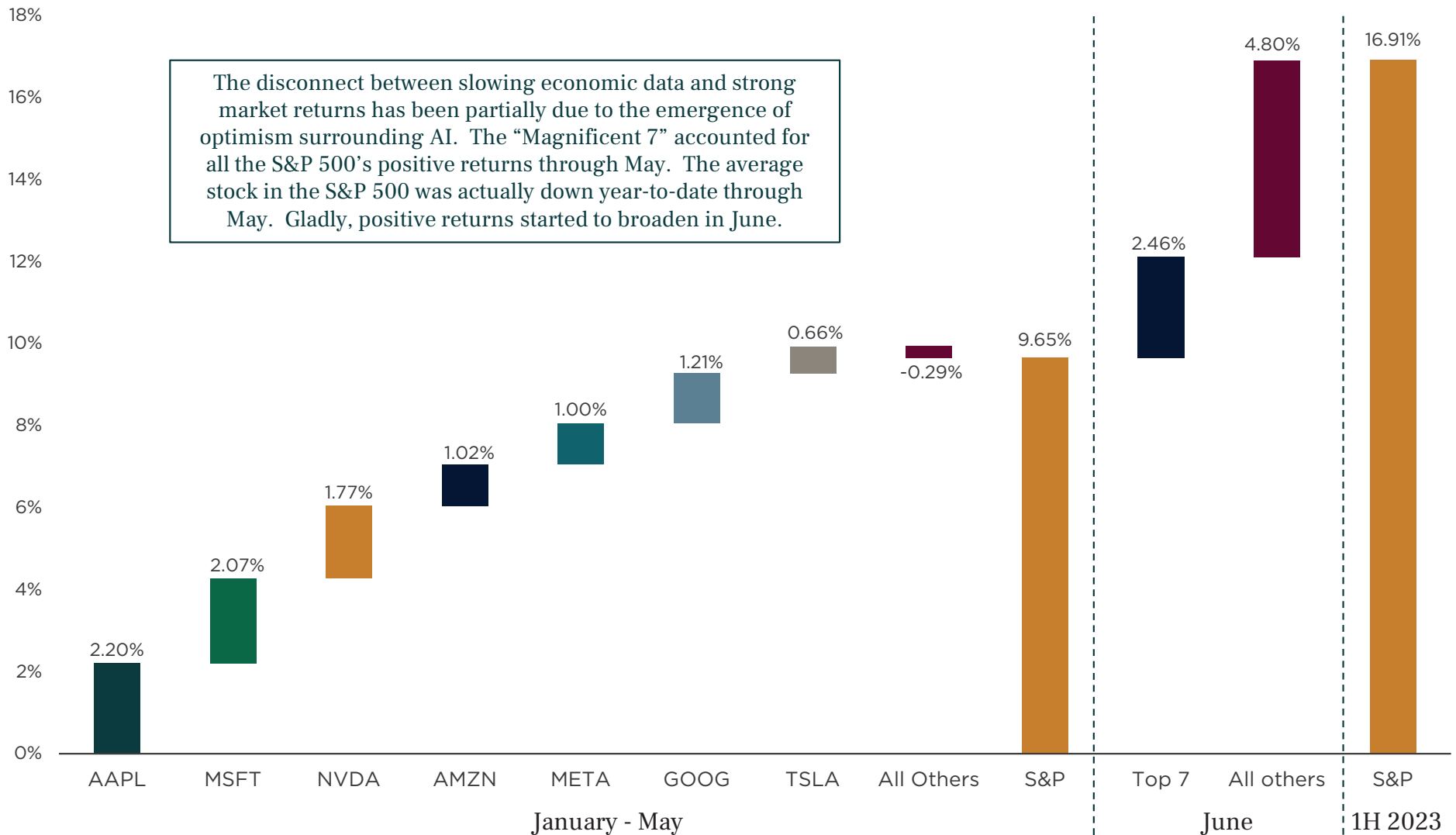
SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 6/30/2023

INDEXES REPRESENTED: LARGE CAP : S&P 500; SMALL CAP : RUSSELL 2000; INTERNATIONAL EQUITIES : MSCI ACWI EX US; BALANCED BENCHMARK : 50% S&P 500, 10% MSCI ACWI EX US, 40% BLOOMBERG US AGGREGATE; HIGH YIELD : BLOOMBERG US HIGH YIELD; FIXED INCOME : BLOOMBERG US AGGREGATE; INFRASTRUCTURE : DOW JONES BROOKFIELD GLOBAL INFRASTRUCTURE; REAL ESTATE : DOW JONES US REAL ESTATE; CASH : BLOOMBERG 1-3 MO. T-BILL; COMMODITIES : BLOOMBERG COMMODITIES INDEX.



## S&P 500 RETURN DOMINATED BY “MAGNIFICENT 7” STOCKS

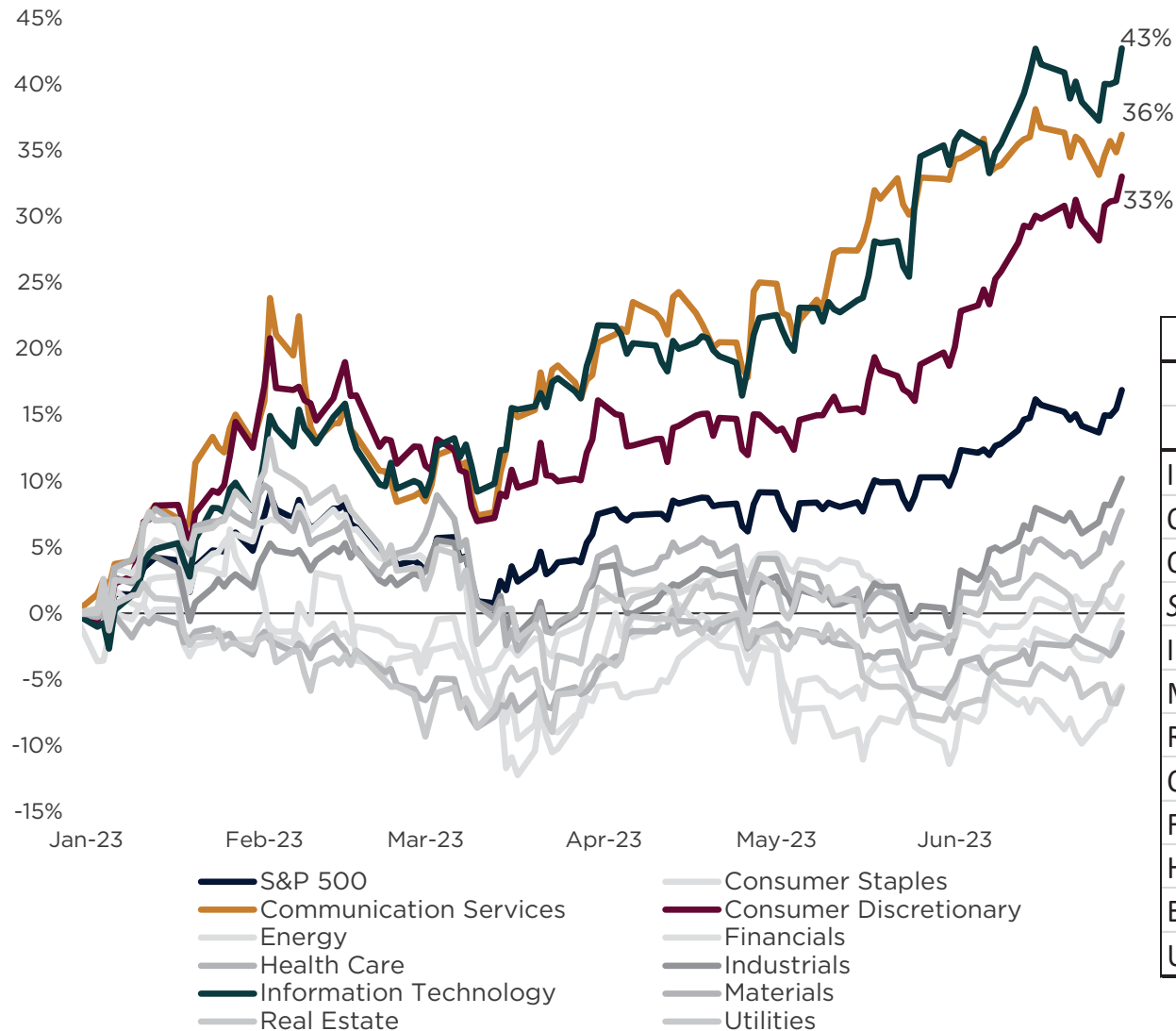
### Market Breadth



SOURCE: JOHNSON INVESTMENT COUNSEL, FACTSET, DATA AS OF 6/30/2023

## OPTIMISM CAN BE SEEN IN VALUATION EXPANSION

S&P 500 Sector Returns YTD



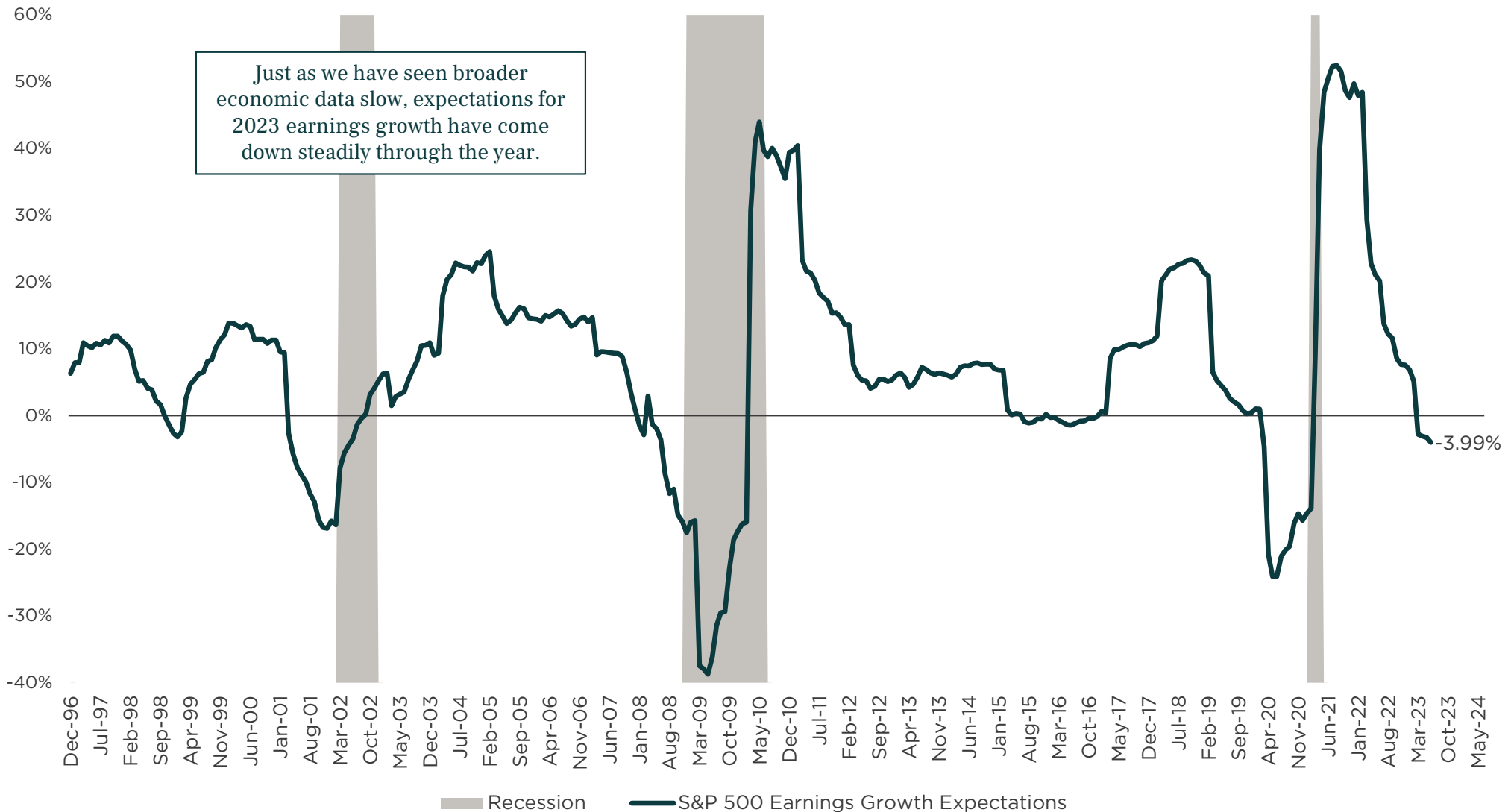
Only three sectors have outperformed the market so far in 2023 – technology (Apple, Microsoft, Nvidia), communication services (Meta, Alphabet), and consumer discretion (Tesla, Amazon). The bulk of the gains in those sectors has come from valuation expansion. A good portion of the market remains flat to negative for the year.

P/E Expansion by Sector

	YTD	% Attribution	
	Return	EPS %	P/E %
Information Technology	42.8%	6.9%	35.9%
Communication Services	36.2%	15.2%	21.0%
Consumer Discretionary	33.1%	4.9%	28.2%
S&P 500 Index	16.9%	2.3%	14.6%
Industrials	10.2%	5.9%	4.3%
Materials	7.7%	-3.0%	10.7%
Real Estate	3.8%	-0.2%	4.0%
Consumer Staples	1.3%	6.0%	-4.7%
Financials	-0.5%	-11.7%	11.2%
Health Care	-1.5%	-0.4%	-1.1%
Energy	-5.5%	-14.9%	9.4%
Utilities	-5.7%	4.2%	-9.8%

## ECONOMIC SLOWNESS IS SHOWING IN 2023 EARNINGS RESULTS

S&P 500 EPS Growth Expectations

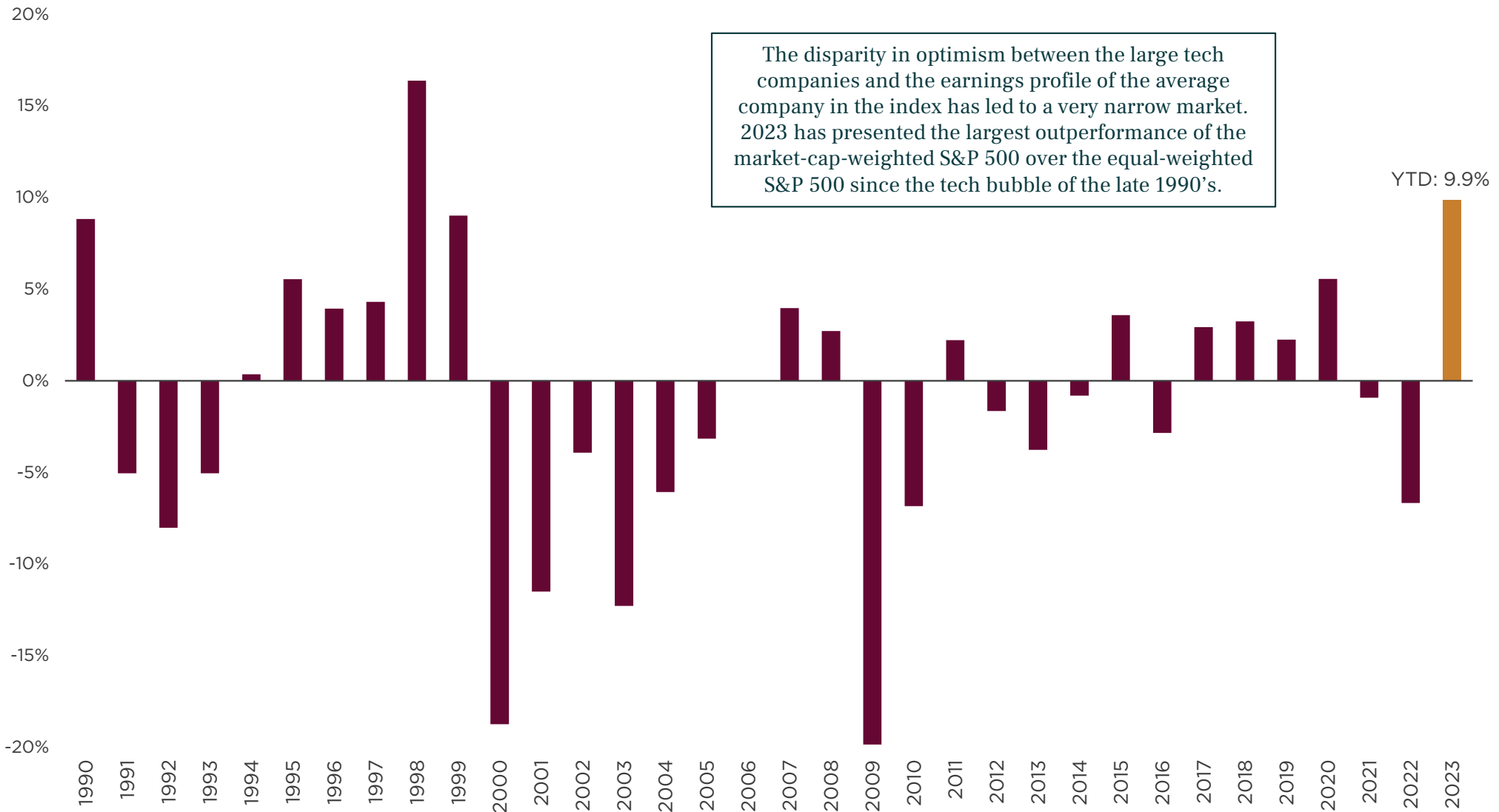


SOURCE: JOHNSON INVESTMENT COUNSEL, FACTSET, DATA AS OF 6/30/2023



## THE LARGEST NAMES IN THE S&P 500 HAVE LED THE MARKET

Total Return Difference Between S&P 500 and S&P 500 Equal Weighted Index



SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 6/30/2023

## THESE PERIODS OF CONCENTRATION TEND TO UNWIND OVER TIME

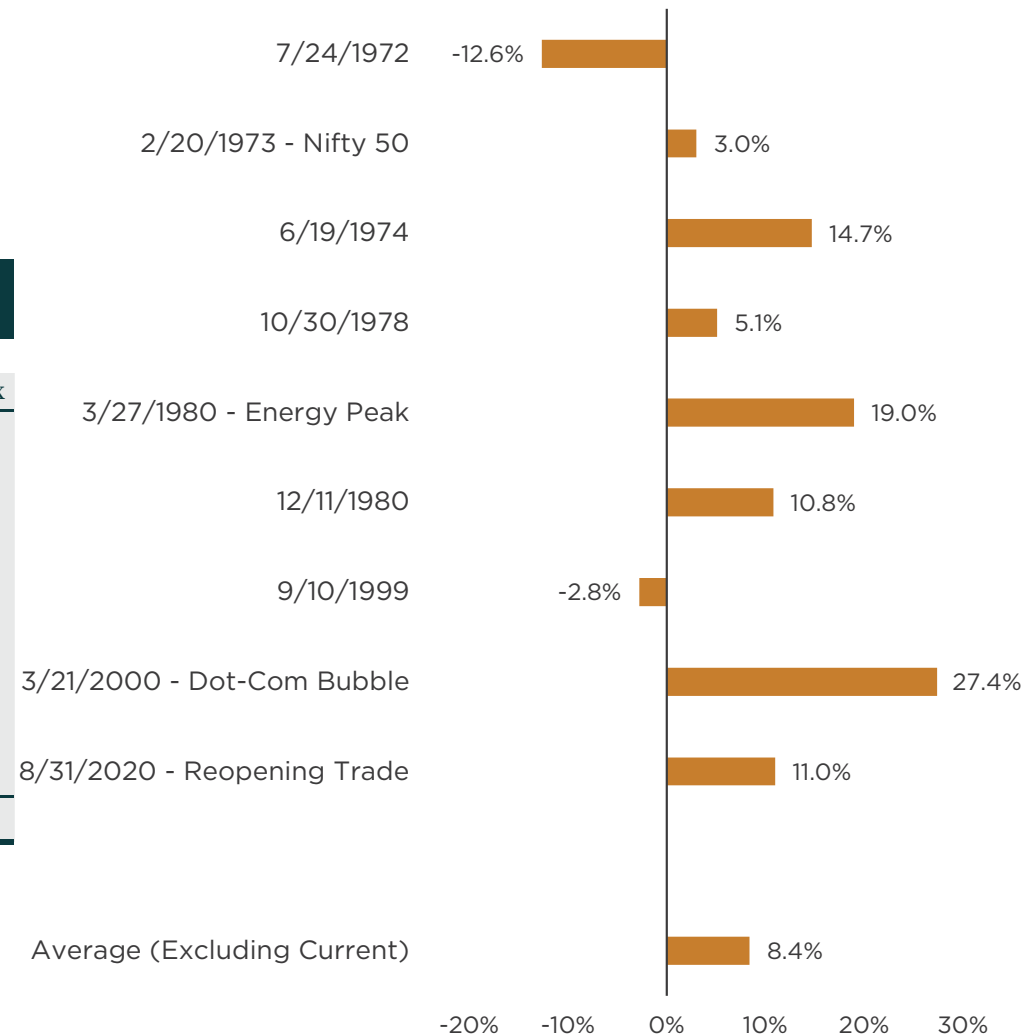
Earlier this year, we saw the number of constituent stocks in the S&P 500 that were outperforming the index over the prior three months fall below 30%. Historically, this level of concentration tends to unwind over time. In prior periods of similarly narrow markets, the equal weighted S&P 500 has outperformed the market cap weighted S&P 500 by an average 8.4% over the next twelve months.

**S&P 500 Index Performance After Percent of S&P 500 Stocks Outperforming Index in Last Three Months Falls Below 30%**

### 1 Year Return

Date	S&P 500 Index	S&P 500 Equal Weighted Index
7/24/1972	0.20%	-12.43%
2/20/1973 - Nifty 50	-19.03%	-16.01%
6/19/1974	3.58%	18.27%
10/30/1978	8.01%	13.11%
3/27/1980 - Energy Peak	37.09%	56.06%
12/11/1980	-1.91%	8.90%
9/10/1999	10.57%	7.80%
3/21/2000 - Dot-Com Bubble	-24.88%	2.53%
8/31/2020 - Reopening Trade	29.21%	40.21%
4/5/2023	N/A	N/A
<b>Average (Excluding Current)</b>	<b>4.76%</b>	<b>13.16%</b>

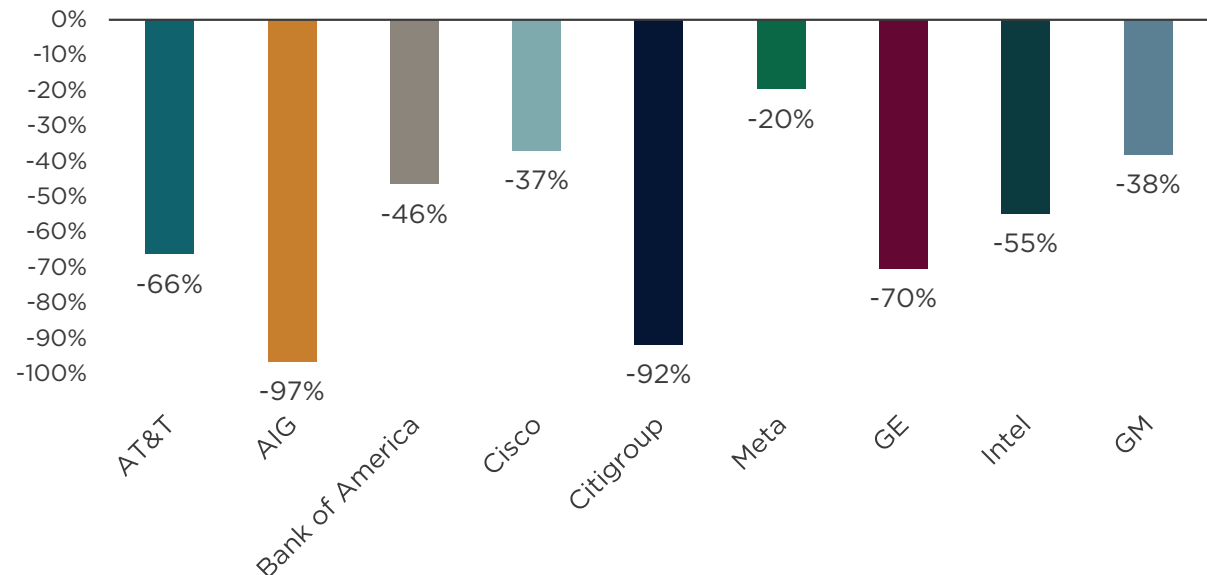
**S&P 500 Equal Weighted - S&P 500 Market Cap Weighted Performance, Twelve Months Forward**



## THERE ARE ADDITIONAL RISKS IN CONCENTRATED MARKETS

S&P 500 Top-10 Companies by Decade - RED Companies Do Not Reappear In Subsequent Periods				
1990	2000	2010	2020	2023
Exxon Mobil	Microsoft	Exxon Mobil	Apple Inc.	Apple Inc.
IBM	General Electric	Microsoft	Microsoft	Microsoft
General Electric	Cisco Systems, Inc.	Apple Inc.	Alphabet Inc.	Alphabet Inc.
AT&T Corp.	Walmart Inc.	Johnson & Johnson	Amazon.com, Inc.	Amazon.com, Inc.
Royal Dutch Petroleum	Exxon Mobil	Procter & Gamble	Meta Platforms Inc.	Berkshire Hathaway Inc.
Altria Group, Inc.	Intel	IBM	Berkshire Hathaway Inc.	UnitedHealth Group
Merck & Co., Inc.	Lucent Technologies Inc.	AT&T Inc.	JPMorgan Chase & Co.	Johnson & Johnson
Amoco Corporation	IBM	JPMorgan Chase & Co.	Johnson & Johnson	Exxon Mobil
Bristol-Myers Squibb	Citigroup Inc.	General Electric	Visa Inc.	JPMorgan Chase & Co.
E. I. du Pont de Nemours	Time Warner Inc.	Chevron	Procter & Gamble	NVIDIA

### Current Drawdown from All Time High\*

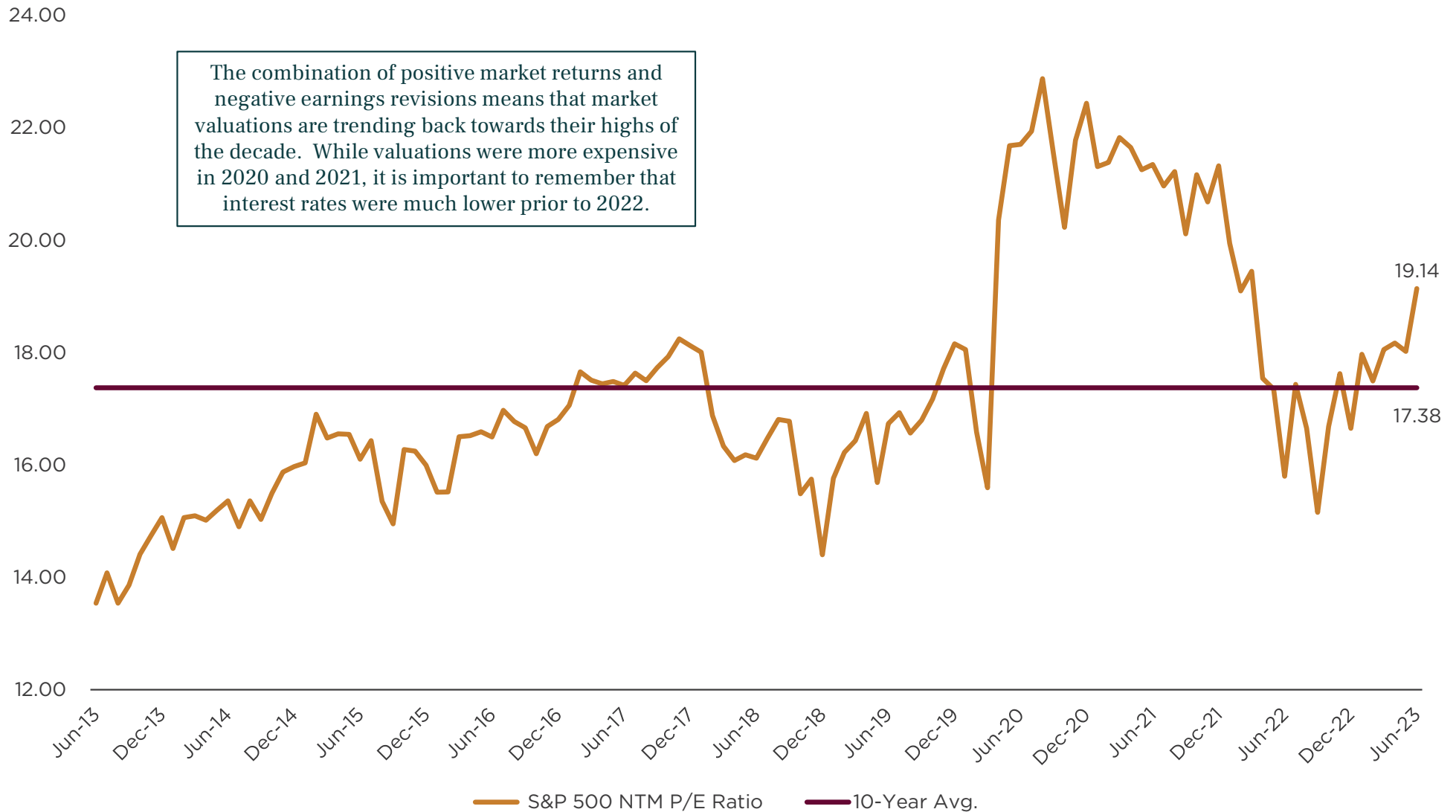


History has shown it is very difficult to stay at the top of the market forever. Competition, regulation, and technological changes weigh on even the best companies over time. The chart above shows how normal it is to have turnover in the top names in the S&P 500 index. The chart at the right shows what can happen to these stocks when they are disrupted. This is why diversification is so important for risk management.



## MARKET MULTIPLES HAVE CLIMBED TO ABOVE AVERAGE LEVELS

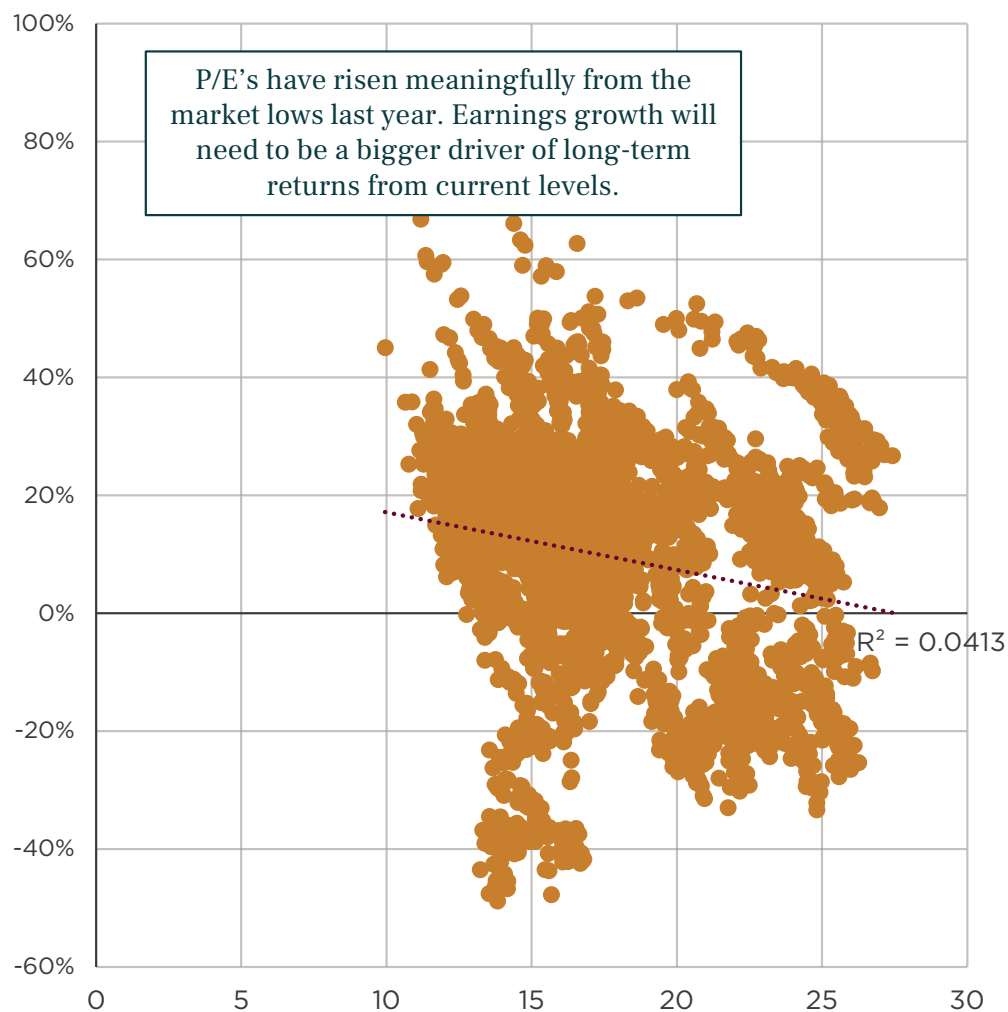
S&P 500 Next Twelve Months Price-to-Earnings Ratio



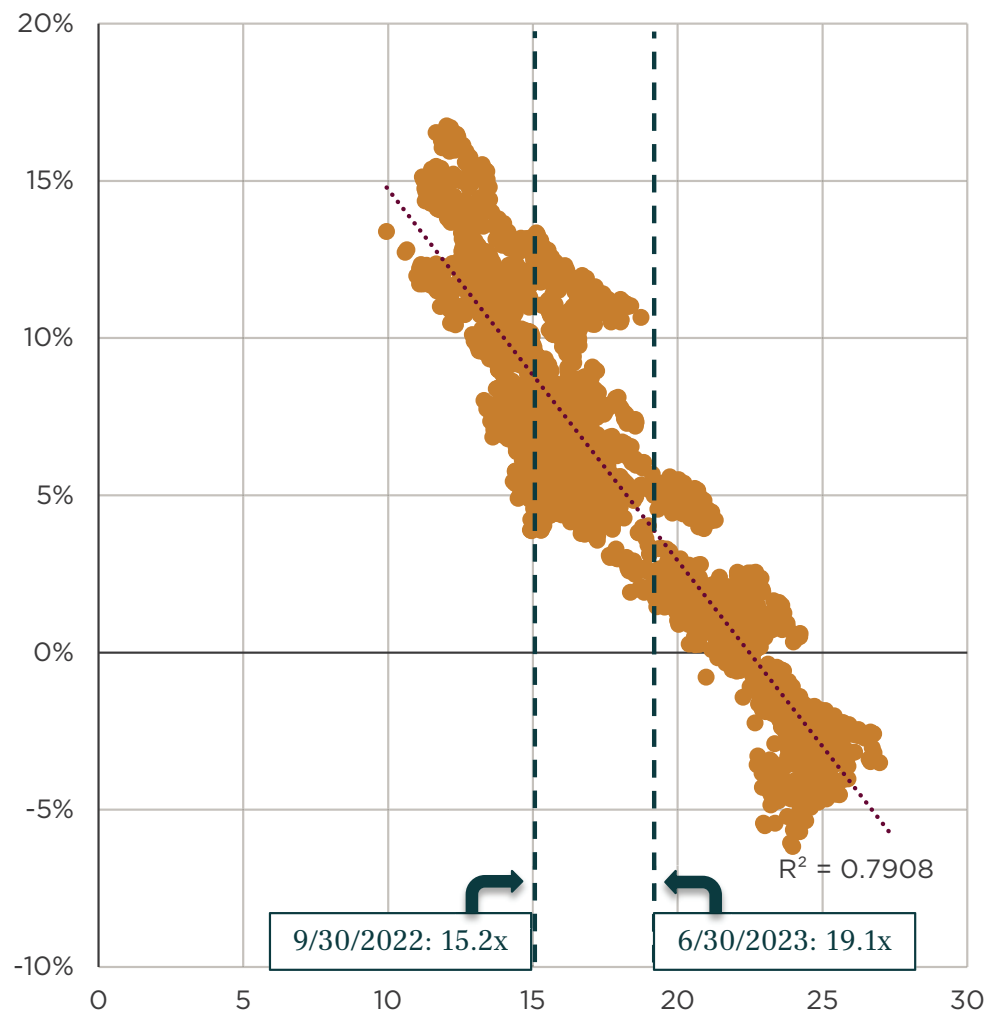
SOURCE: JOHNSON INVESTMENT COUNSEL, FACTSET, DATA AS OF 6/30/2023

## REDUCING LONG-TERM RETURN EXPECTATIONS FOR LARGE CAPS

1 Year Annualized S&P 500 Return vs.  
Starting P/E Level



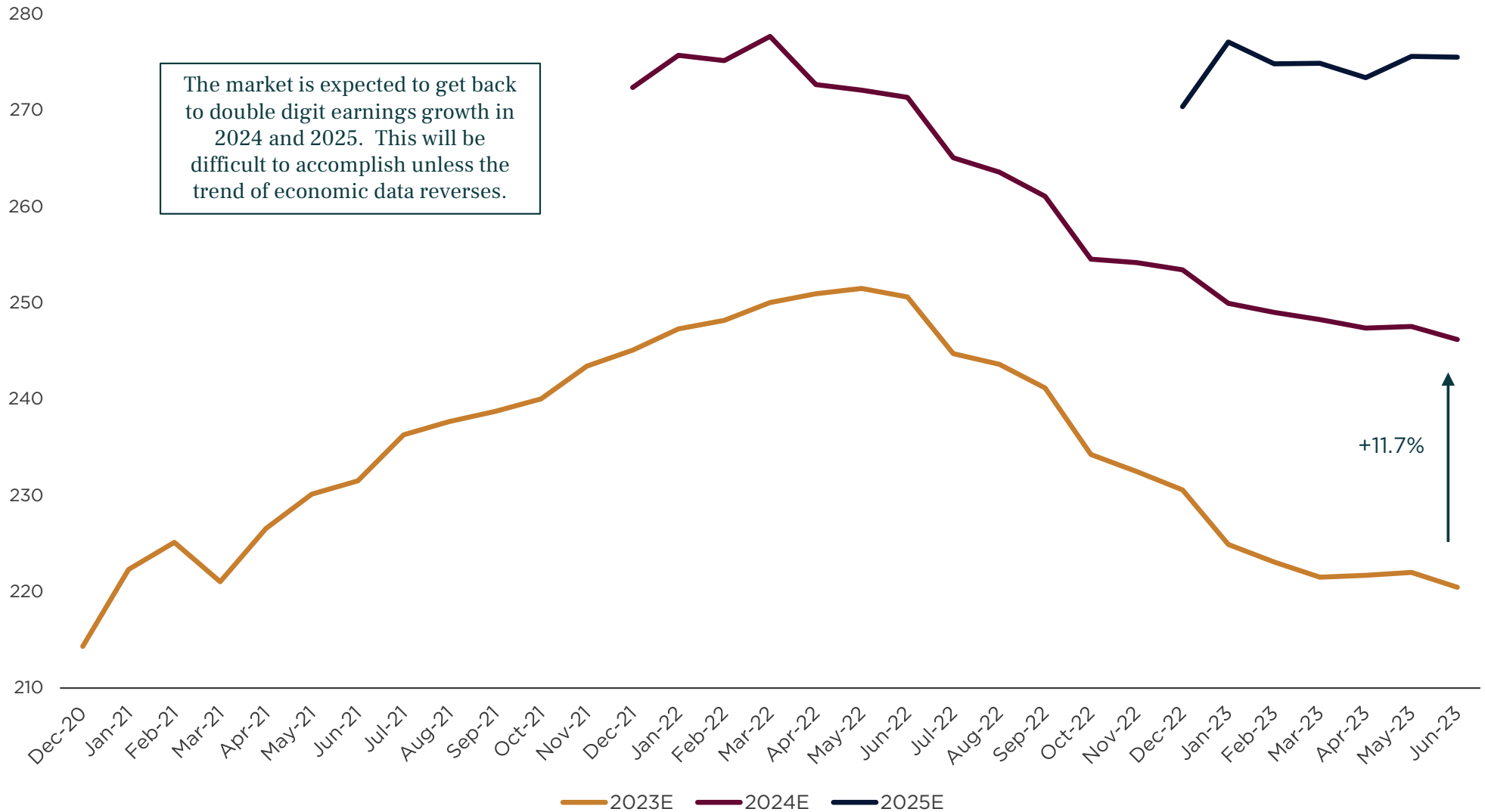
10 Year Annualized S&P 500 Return vs.  
Starting P/E Level





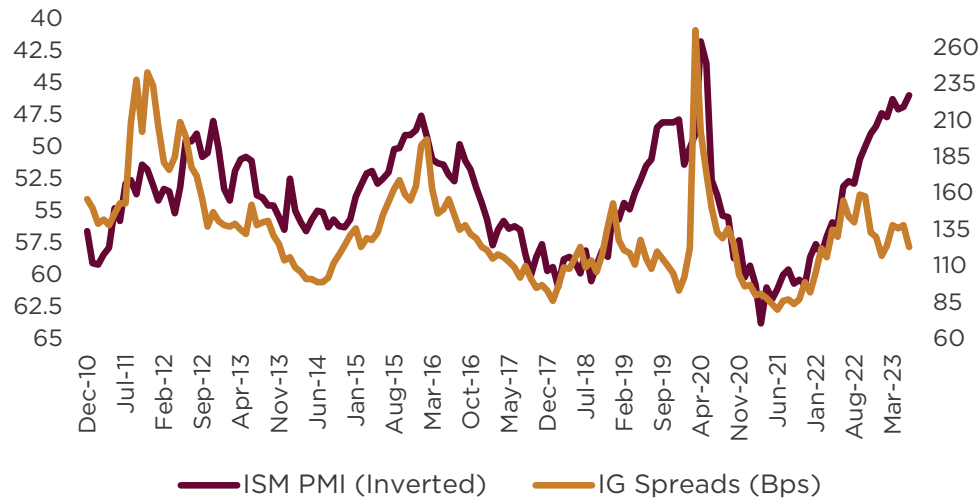
# EARNINGS EXPECTATIONS HAVE FALLEN BUT 2024 REMAINS POSITIVE

S&P 500 Earnings Estimates

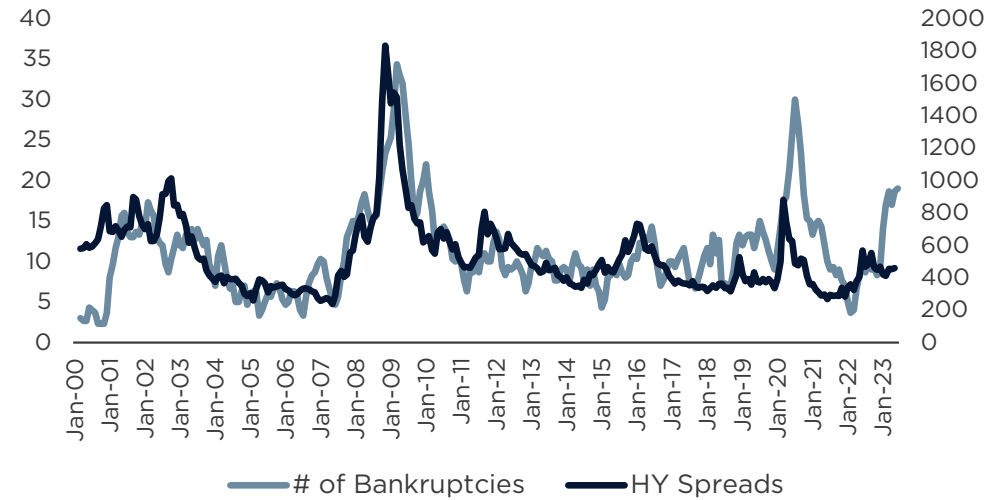


## BONDS ARE ALSO PRICING IN A BETTER ECONOMIC ENVIRONMENT

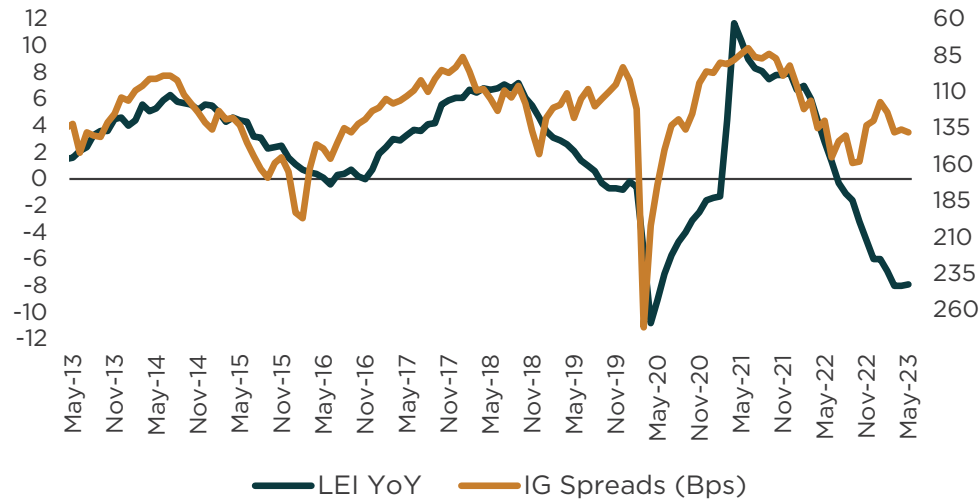
ISM PMI + IG Spreads



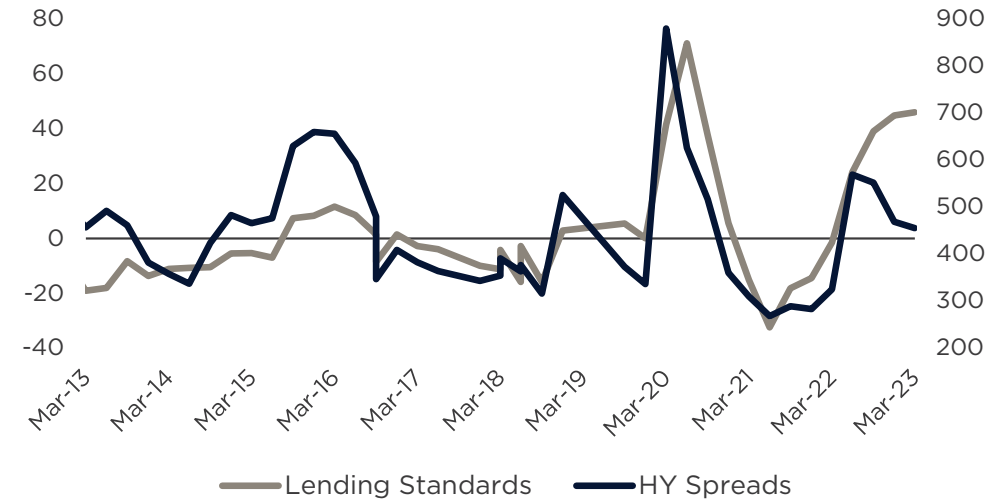
3M MA Bankruptcies + HY Spreads



LEI YoY + IG Spreads



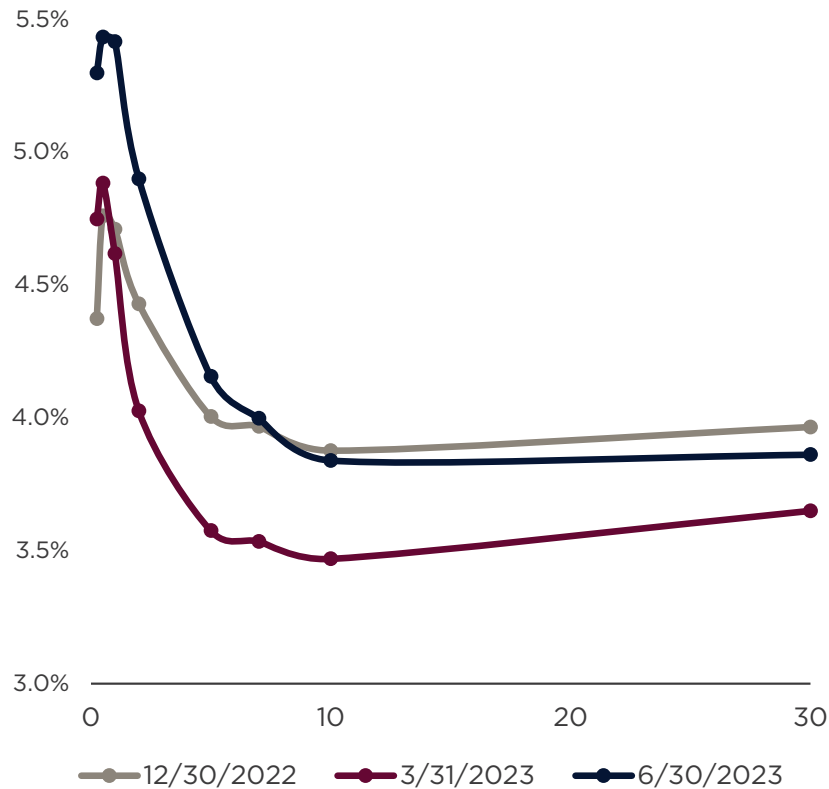
Lending Standards + HY Spreads



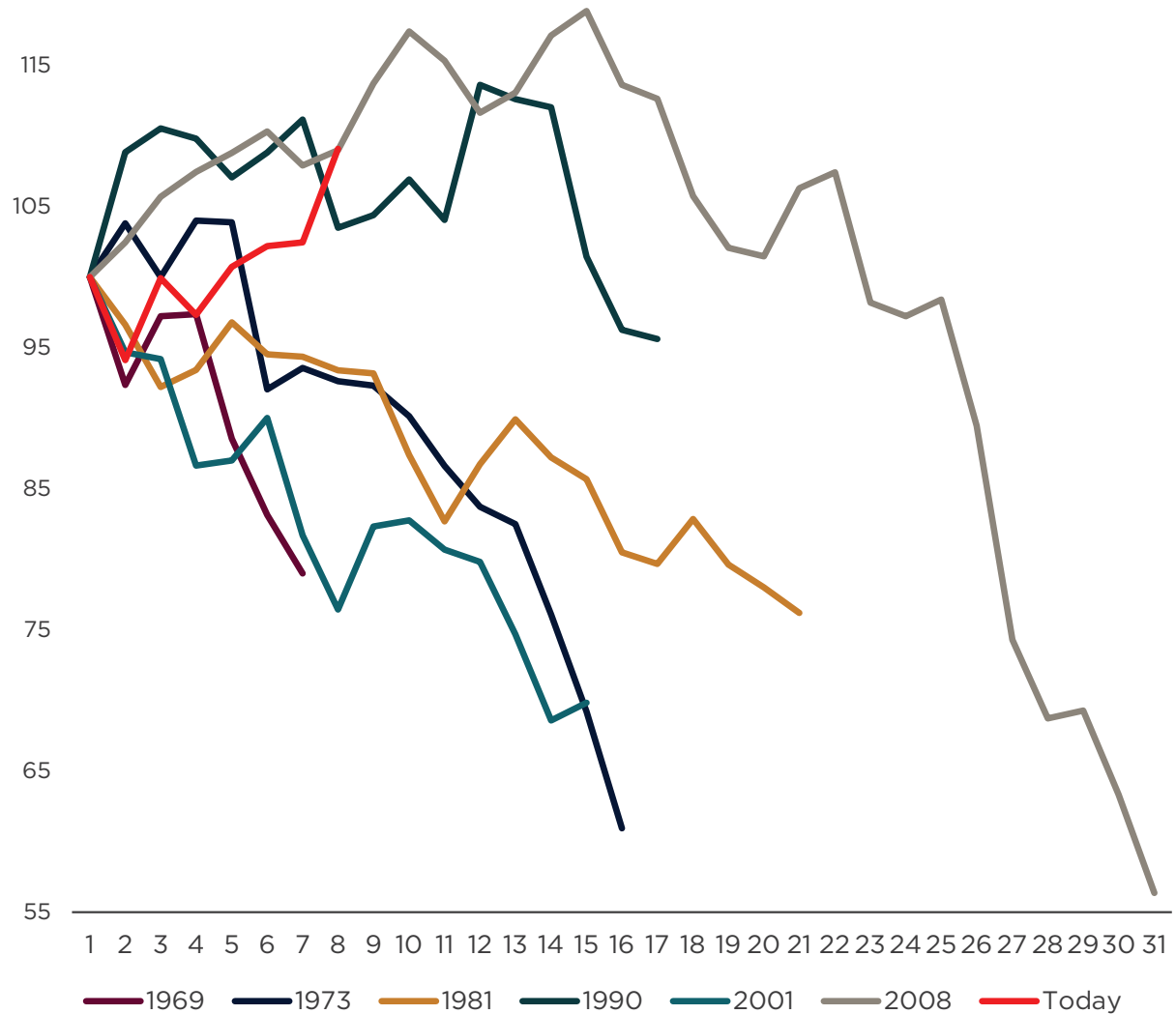
# HISTORY TELLS US TO BE CAUTIOUS IN THIS PART OF THE CYCLE

Yield curve inversions are one of the more reliable indicators that tough times may be ahead. The current cycle has been one of the best on record for the S&P 500, but history tells us to be cautious.

US Treasury Yield Curve

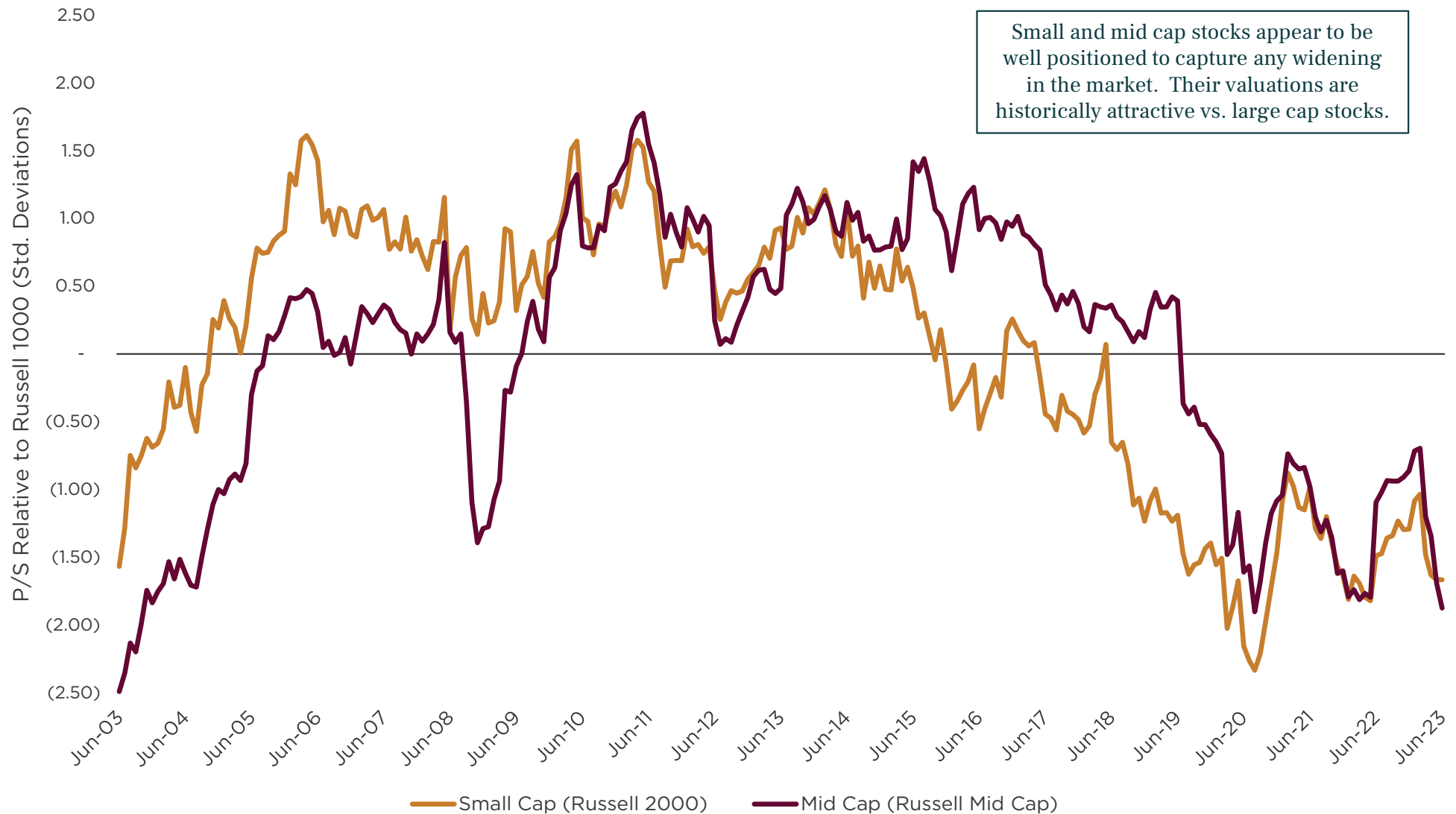


S&P 500 Following 3M/10Y Yield Curve Inversion



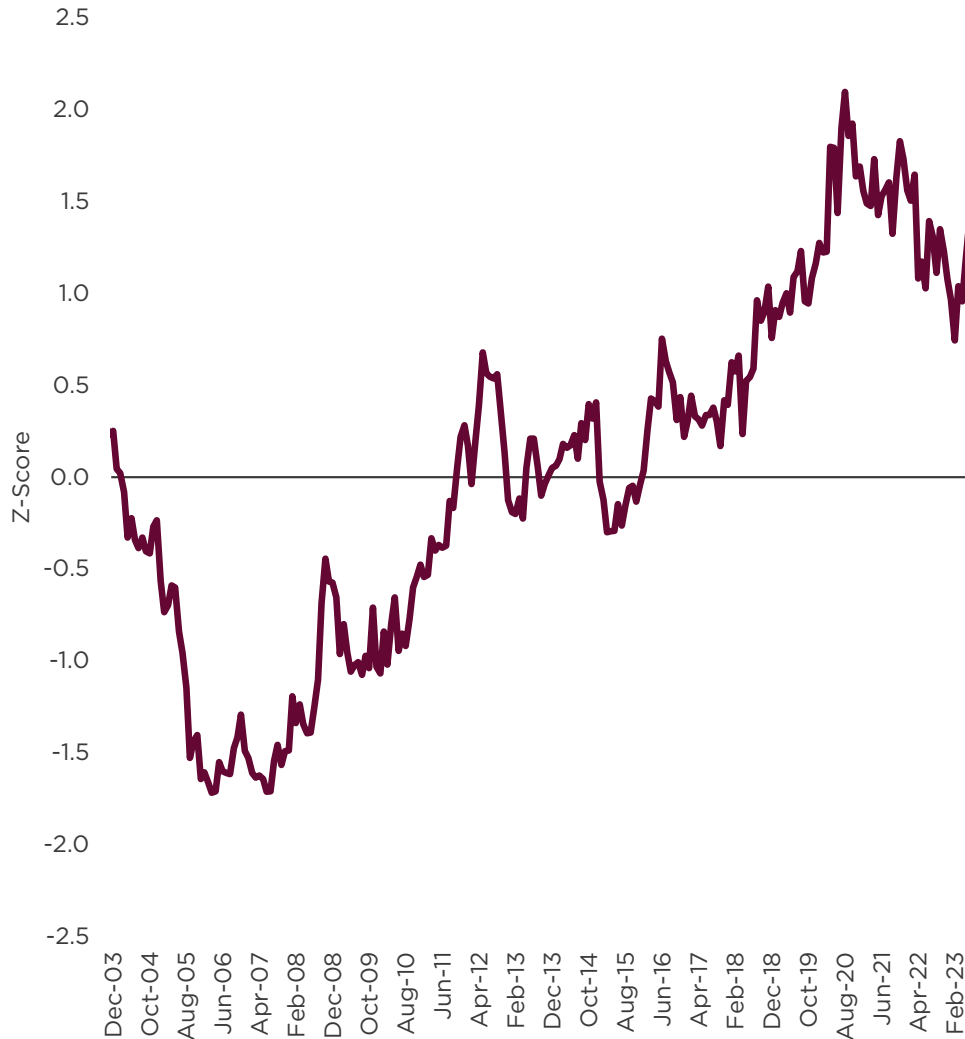
## SMALL AND MID CAP VALUATIONS MORE ATTRACTIVE

Small/Mid Cap Valuation

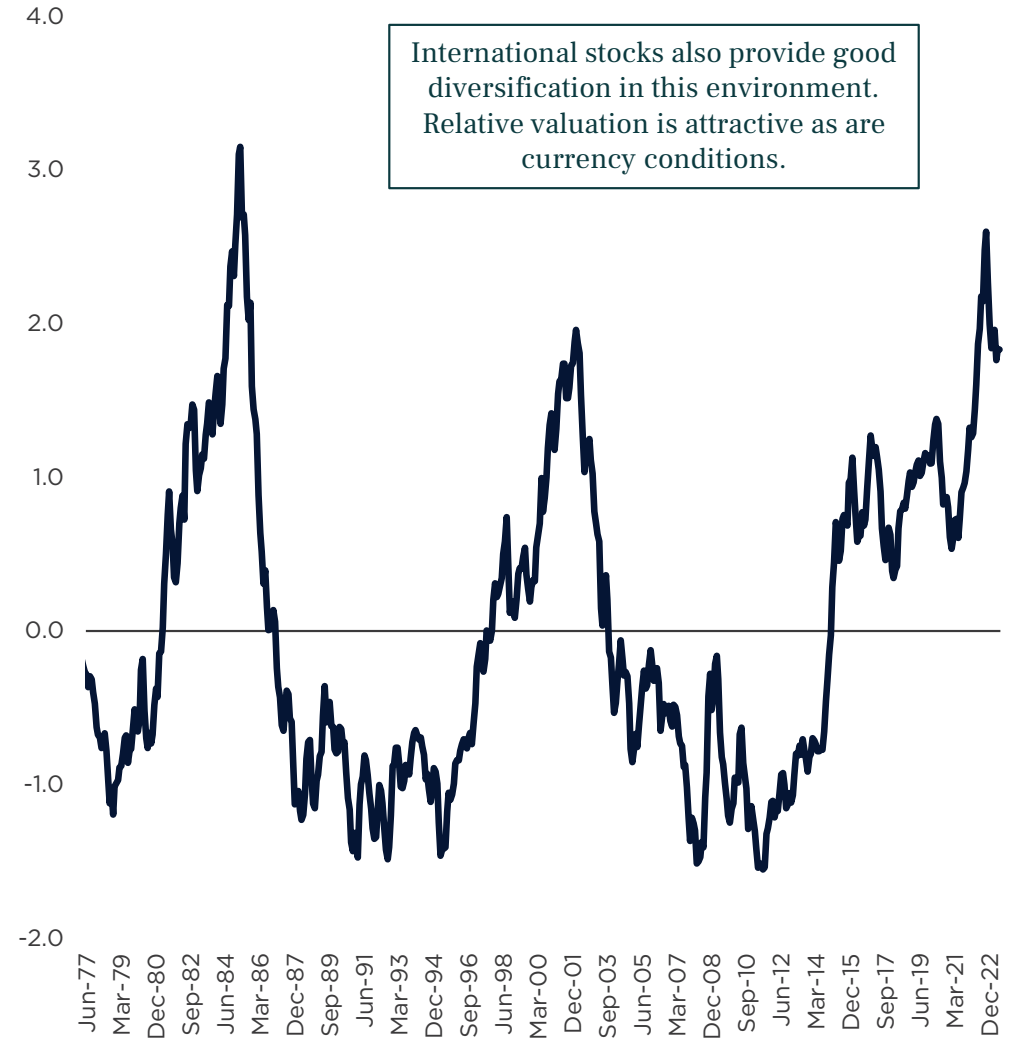


## AND INTERNATIONAL STOCKS HAVE POTENTIAL TAILWINDS

S&P 500/MSCI EAFE Price-to-Sales



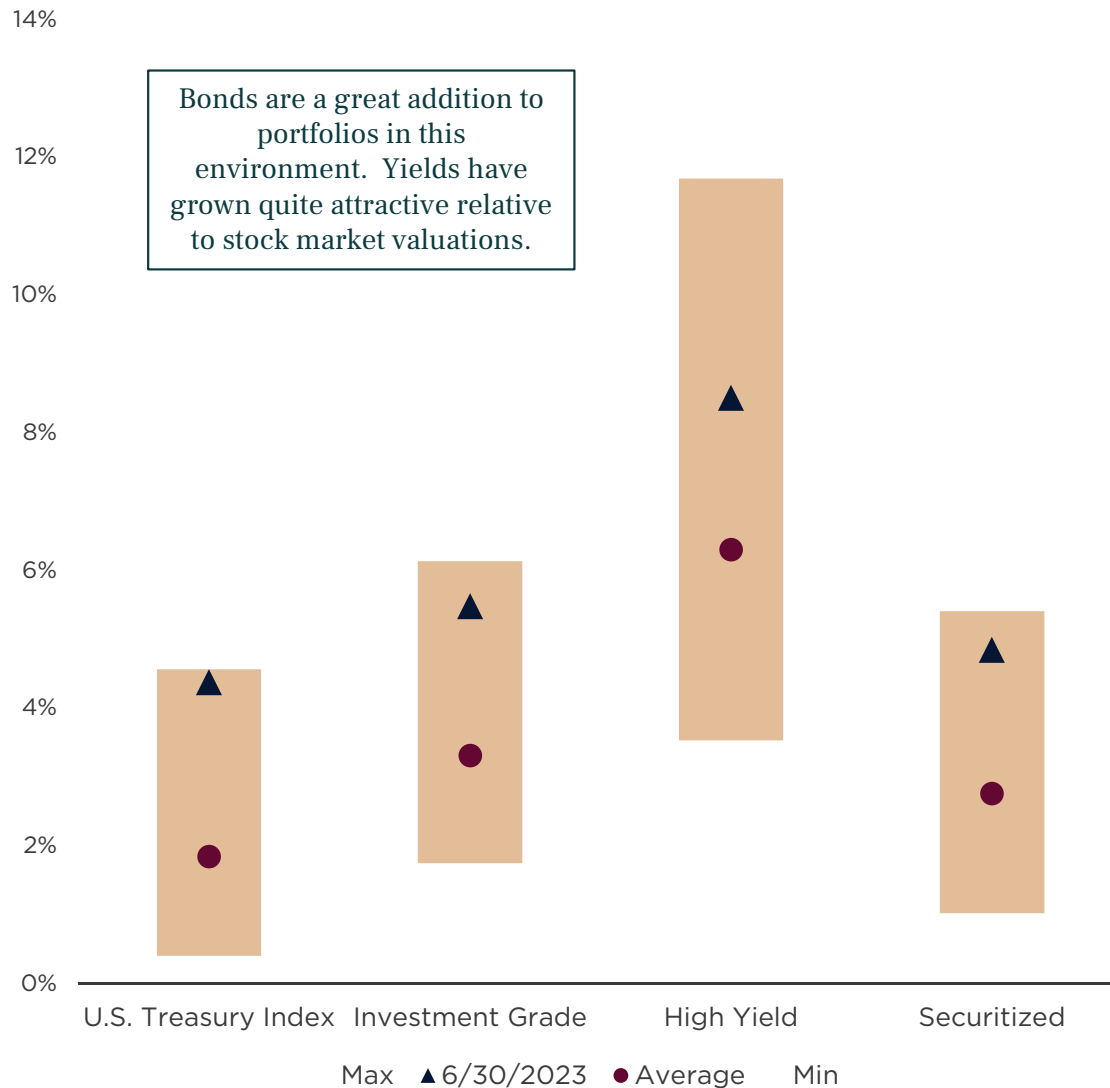
US Fed Trade Weighted Dollar Real AFE Index



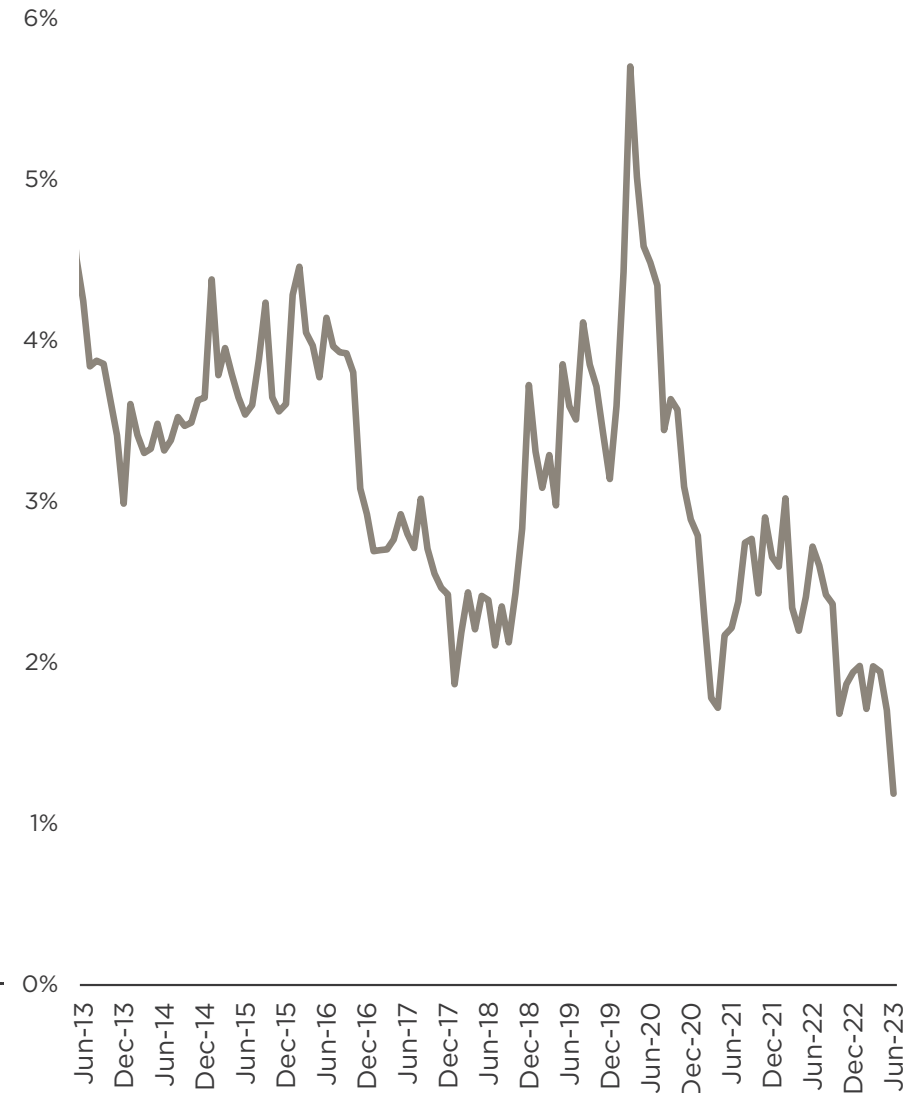
International stocks also provide good diversification in this environment. Relative valuation is attractive as are currency conditions.

# ELEVATED YIELDS MAKE BONDS ATTRACTIVE RELATIVE TO STOCKS

Fixed Income Sector 10 Yr. Yield Range

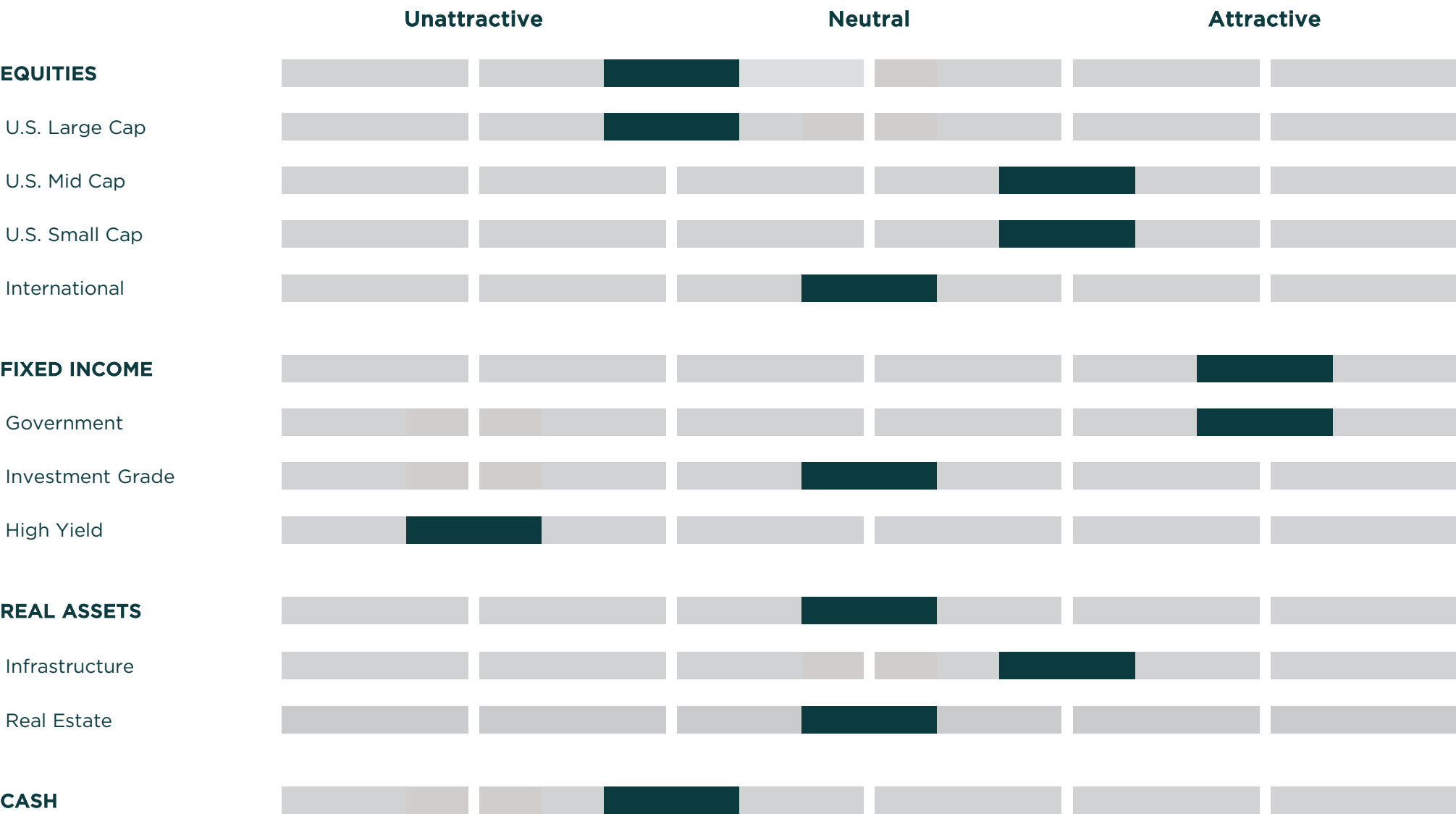


S&P 500 Earnings Yield - 10 Yr. Treasury





# STRATEGIC ASSET ALLOCATION MARKET BAROMETER



*Note: We cannot promise future results. Our opinions reflect our best judgement at the time this presentation was created, and we disclaim any obligation to update or alter forward looking statements as a result of new information, future events or otherwise.*

## STRATEGIC ASSET ALLOCATION SCALE

	Conservative Portfolio		Moderate - Conservative Portfolio		Moderate Portfolio		Moderate - Aggressive Portfolio		Aggressive Portfolio	
Asset Class	Current Goal %	Strategic Range %	Current Goal %	Strategic Range %	Current Goal %	Strategic Range %	Current Goal %	Strategic Range %	Current Goal %	Strategic Range %
<i>Higher Volatility Assets</i>	<i>15%</i>	<i>15-25%</i>	<i>35%</i>	<i>35-45%</i>	<i>55%</i>	<i>55-65%</i>	<i>70%</i>	<i>70-80%</i>	<i>85%</i>	<i>85-95%</i>
Equities	14.3%	11-25%	33.4%	28-45%	52.5%	44-65%	66.8%	56-80%	81.2%	68-95%
U.S. Equities - Large Cap	10.0%		23.4%		36.7%		46.7%		56.8%	
U.S. Equities - Mid Cap	0.8%		2.0%		3.1%		3.9%		4.8%	
U.S. Equities - Small Cap	1.0%		2.2%		3.5%		4.5%		5.4%	
International Equities	2.5%		5.9%		9.2%		11.7%		14.2%	
Real Assets	0.7%	0-4%	1.6%	0-7%	2.5%	0-11%	3.2%	0-14%	3.8%	0-17%
Infrastructure	0.5%		1.1%		1.7%		2.1%		2.6%	
Real Estate	0.2%		0.5%		0.8%		1.1%		1.3%	
<i>Lower Volatility Assets</i>	<i>85%</i>	<i>75-85%</i>	<i>65%</i>	<i>55-65%</i>	<i>45%</i>	<i>35-45%</i>	<i>30%</i>	<i>20-30%</i>	<i>15%</i>	<i>5-15%</i>
Fixed Income	85.0%	75-85%	65.0%	55-65%	45.0%	35-45%	30.0%	20-30%	15.0%	5-15%
Investment Grade Bonds	85.0%		65.0%		45.0%		30.0%		15.0%	
Cash	0.0%		0.0%		0.0%		0.0%		0.0%	

\*Goal percentages may not total 100% due to rounding.



# THANK YOU!

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# APPENDIX

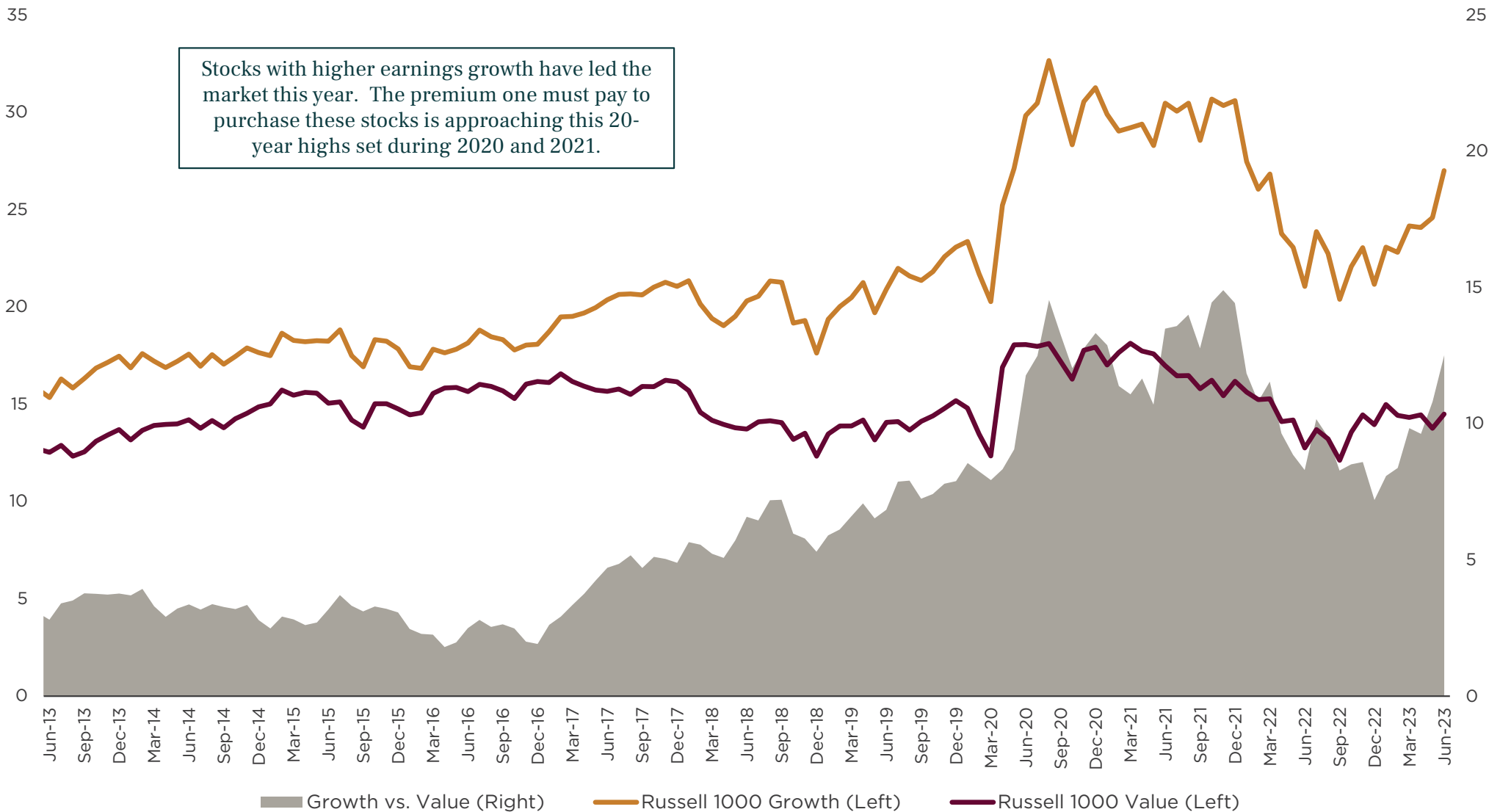




# VALUE VS. GROWTH VALUATION DIFFERENTIAL CLIMBING AGAIN

Forward Price-to-Earnings Ratio

Stocks with higher earnings growth have led the market this year. The premium one must pay to purchase these stocks is approaching this 20-year highs set during 2020 and 2021.



## CURRENT RECESSION SCORECARD MIXED

INDICATOR	RECESSION RULE	RECENT SIGNAL	RECESSION Y/N	2007	2001	1990
<b><u>MARKET-BASED:</u></b>						
YIELD CURVE	10YR – FF IS NEGATIVE	-1.41%	YES	YES	YES	NO
IG CORP SPREADS	ABOVE 150	123	NO	YES	YES	NO
HY CORP SPREADS	ABOVE 500	390	NO	YES	YES	NO
STOCK MARKET	DECLINE 11% FROM PEAK	-8.3%	NO	NO	YES	NO
<b><u>LABOR MARKET:</u></b>						
JOBLESS CLAIMS (4 WK AVG)	ABOVE 360K	253k	NO	NO	YES	YES
UNEMPLOYMENT RATE	+0.5% FROM BOTTOM	+0.2%	NO	YES	NO	NO
TEMP EMPLOYMENT	BELOW -1% YOY	-3.4%	YES	YES	YES	NO
AVG WEEKLY HOURS	-0.5% YOY	-0.6%	YES	NO	YES	YES
<b><u>BROAD ECONOMY:</u></b>						
LEADING INDICATORS	-2% YOY	-7.9%	YES	YES	YES	NO
COIN/LAGGING INDEX	96.3 OR BELOW	93.1	YES	NO	NO	NO
<b><u>MANUFACTURING:</u></b>						
ISM MANUFACTURING	BELOW 47	46.0	YES	NO	YES	YES
CAPACITY UTILIZATION	4 PTS BELOW PEAK	-1.2	NO	NO	YES	NO
NONDEFENSE CAP GOODS EX. AIRCRAFT	3-MTH AR -10% OR BELOW	0.7%	NO	NO	YES	NO
<b><u>CONSUMER:</u></b>						
HOUSING STARTS	-35% YOY	5.7%	NO	YES	NO	NO
RETAIL SALES EX. GAS	3-MTH RATE BELOW 0%	1.0%	NO	YES	YES	NO
CONSUMER SENTIMENT	15 PTS BELOW PEAK	-36.6	YES	YES	NO	NO

Any expectations presented here should not be taken as any guarantee or other assurance as to future results. Our opinions reflect our best judgment at the time this presentation was created, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise. The material contained herein is based upon proprietary information and is provided purely for reference and as such is confidential and intended solely for those to whom it was provided by JIC.

SOURCE: JOHNSON INVESTMENT COUNSEL, BLOOMBERG, DATA AS OF 6/30/2023